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ABSTRACT

This report presents the results of a review of policy and research literature that focused on the following: the vocational education and training (VET) market in Australia; the role of the concept of a training market in government policy on VET in Australia; the effect of economic rationalism and corporate managerialism on VET policy and practice; and development of the policy framework and administrative infrastructure of Australia's training market since its inception. Presented first are an executive summary, introduction, and overview of the report's structure. Chapter 3 discusses the context of Australia's training market, and chapter 4 is an overview of training market reform and the associated literature. The concept, policy objectives, structure, and operation of Australia's training market are examined in chapter 5. Selected macro, micro, and emerging policy issues, including who should pay for training, the relationship between the training and labor markets, and access and equity, are explored in chapter 6. Chapter 7 is a critical evaluation of the literature and research questions. Chapters 8 and 9, which together constitute approximately 50% of the report, contain a list and lengthy annotations of the 53 research and policy documents reviewed in depth. Chapter 10 contains 19 additional references. (MN)

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READING THE MARKET

A review of literature on the vocational education and training market in Australia

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Reading the market

A review of literature on
the vocational education and training market
in Australia

Damon Anderson

MONASH UNIVERSITY - ACER

CENTRE FOR THE ECONOMICS OF EDUCATION AND TRAINING

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Phone 03 9905 9157 Fax 03 9905 9184
email: val.newson@education.monash.edu.au

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This guide to and review of literature on the vocational education and training market in Australia has been compiled as an addition to the two Occasional Papers on the economics of vocational education and training prepared for ANTA in 1994 by the Centre for the Economics of Education and Training (CEET):

The Economics of Vocational Education and Training in Australia:
A Review of Recent Literature
by G. Burke, P. McKenzie, L. Maglen, C. Selby Smith, F. Ferrier & J. Selby Smith
Occasional Paper 94/2
Australian National Training Authority, Brisbane.

Past Imperfect: Future Imperative
A Guide to the Recent Australian Literature on the
Economics of Vocational Education and Training
by F. Ferrier, G. Burke, P. McKenzie, C. Selby Smith, J. Selby Smith & D. Anderson.
Technical Support Paper for ANTA Occasional Paper 94/2
Australian National Training Authority, Brisbane.

Items were selected for review and annotation on the basis that their principal focus of concern was the VET market in Australia or directly related issues. All annotations have been prepared by the author who takes full responsibility for the contents of the report.

Executive Summary

Since its introduction in the early 1990s, the concept of a training market has become a central and defining feature of government policy on vocational education and training (VET) in Australia. The application of market principles to the funding and provision of VET has ushered in a period of far-reaching and unprecedented reform at all levels of the VET system. Formerly funded, regulated and provided almost exclusively by government, VET is increasingly characterised by user pays, deregulation, and competition between public and private providers. Market forces are becoming the chief determinant of the production and consumption of VET. The development of a market-driven VET system is likely to have a significant impact on the nature and organisation of VET provision which in turn will have major implications for key stakeholders.

This report reviews the now considerable body of policy and research literature dealing with the training market and associated reforms in Australia. It traces the origins of the training market concept to the influence of economic rationalism and corporate managerialism on VET policy and practice, and examines the development of the policy framework and administrative infrastructure of the training market since its inception. Three major phases of training market reform are identified and the references covered in the review are located within this chronological and thematic framework.

The main body of the report examines how the concept, policy objectives, structure and operation of the training market have been defined in the literature, and reviews the key policy issues identified and discussed in the literature. Macro policy issues discussed include: who should pay for training; the role of government; the national dimensions of the training market; the balance between national consistency and local flexibility; the relationship between the training and labour markets; the interface between education and training sectors; the balance between competition and cooperation; and consumer sovereignty. Micro policy issues which relate to the demand and supply sides of training market development and implementation are discussed. Demand side issues discussed include: who are the clients; information; and access and equity. Supply side issues discussed include: which training should be subject to market forces; what is the product; quality; system and provider planning; competitive neutrality; community service obligations; costing and pricing; cost shifting and substitution; and financial issues. A number of emerging policy issues are identified.

The report finds that the literature as a whole provides a partial and incomplete basis for describing and explaining the nature and development of the training market. In addition to a lack of definitional and conceptual clarity, much of the literature is based on untested assumptions about the relative efficiency and effectiveness of market mechanisms as opposed to planning models of resource allocation for VET. The

report suggests that until further empirical research and evaluation is undertaken on the impact of the market reforms, acceptance of the desirability of market approaches to VET provision involves a considerable leap of faith.

The report argues that most mainstream research and analysis of the training market and associated developments to date is flawed in two essential respects. First, it has been constructed from a narrow economic perspective and, secondly, it has approached the development of a training market as a technical and value-free exercise in systems-engineering. As a consequence, insufficient attention is paid to the non-economic factors which shape the market, the role and influence of market participants, and the wider social and educational consequences of market reform.

Some analysts have begun to examine the training market and associated developments from a critical and reflective perspective, and to reveal some of the problems, contradictions and potential consequences of market reform in VET. To a large extent however, the insights and implications of this work appears to have been overlooked in the mainstream policy debate on the training market.

In the light of the review and critical evaluation of the literature, the report identifies the need for a more coherent conceptual framework and consistent set of linguistic tools to describe and analyse the training market. More research is required on the social and economic externalities of VET and on private rates of return from participation in VET. Although recent research has improved our knowledge base, a more comprehensive and detailed study of the structure, operation and performance of the training market is necessary. Greater emphasis should be placed on analysing how the officially designated 'training market' relates to, and interacts with, other markets in education and employment, and on identifying the determinants of, and relationship between, supply and demand. Above all, there is a pressing need to document the social, economic and educational impact of the training market reforms, and to evaluate their implications for key stakeholders.

The report argues that future research on the training market needs to recognise the limitations of the dominant economic paradigm within which most mainstream policy and research literature has been cast, question the assumptions on which the training market model is based, and critically analyse the effects of associated reforms, including their intended and unintended consequences. To this end, the report proposes that future research should draw upon a variety of conceptual and methodological approaches from the fields of economics, politics, history and sociology, be informed by a range of critical perspectives, and generate insights into alternative policy frames and directions.

1 Introduction

This study was initiated in recognition of the rapid rise to prominence of the concept of markets in vocational education and training (VET) policy in Australia, and the need to take stock of the considerable body of literature which now exists on the topic. The principal aim of the study is to provide a comprehensive guide to, and critical review of, literature on the Australian VET market, herein referred to as the 'training market'. Towards this end, the specific objectives were to identify and review relevant literature, to examine key issues and gaps in the existing body of knowledge, and to identify areas for further research on the basis of a critical evaluation of the literature. It is written for a wide audience including policy makers, academic researchers, educational managers, teachers and students. The study is intended to facilitate further research on an important emerging aspect of VET policy and practice, and to stimulate debate and critical reflection on current and future directions.

Although confined to literature dealing specifically with markets in post-compulsory, non-university VET in Australia, the scope of the review is otherwise broad and inclusive. It encompasses research studies, government reports, academic publications, and conference and discussion papers. As a result, the body of literature covered in the review comprises an eclectic range of references which consider different aspects of the nature, development and implementation of the training market concept from a variety of perspectives. Certain limits have been placed on the extent to which literature dealing with associated policy issues has been covered. For instance, the report does not deal comprehensively with all available literature on alternative financing models and mechanisms in VET, such as government expenditure, private contributions, vouchers and entitlements.[1] The principal criterion for including a particular publication is that it was judged to have made a significant contribution to policy development or debate on the training market.

As the concept of the training market did not explicitly surface in policy or research literature dealing with training reform in Australia until the Deveson Review (1990), the literature included in this review post-dates 1990. Some references are already out of date due to the rapidity of change in the policy and administrative settings at a national and state level. Nevertheless, taken as a whole, the body of literature covered provides a broad and comprehensive overview of changing emphases and different perspectives in the policy debate about the training market. The review covers literature up to March 1996 at which time there was a change in federal government.

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[1] A review of literature pertaining to financing models and mechanisms in VET is contained in Burke, G. et al. (1994) *The economics of vocational education and training in Australia: A review of recent literature*, Occasional Paper 94/2, Australian National Training Authority, Brisbane, pp.59-64.

Most of the literature included in this review is publicly accessible. Certain references may not have been lodged in public libraries, but are generally available on request from the relevant government authorities or authors.

2 Structure of the report

The body of the report is organised as follows.

Section 3 of the report provides a brief outline of the policy context of the training market.

Section 4 provides an overview of training market reform in Australia. The purpose of this overview is to outline the key stages in the development of the training market concept and to locate each of the references covered by this review chronologically and thematically within this historical framework. An attempt is made to highlight the major lines of argument and distinctive contribution of each reference to the debate on the training market.

Section 5 examines the policy concept and objectives of the training market as defined in the literature, and reviews research on the structure and operation of the training market.

Section 6 reviews the key policy issues discussed in the training market literature.

Section 7 comprises a critical evaluation of the literature as a whole and identifies a series of research questions arising from the review of the literature.

Section 8 contains a list of references by author.

Section 9 comprises individual annotations for the references which are arranged alphabetically by author. It reviews the main themes and issues covered in each reference and summarises major conclusions and recommendations. The annotations vary in length according to the breadth and depth of treatment of the topic by individual authors, and the particular significance of each contribution to debate on training market reform. The annotations outline the purpose, content and major conclusions of each reference. The relationship of individual references to other literature is also identified where relevant. In the case of research-based literature, the methodology and major findings are summarised.

Section 10 contains a list of other references cited, but not annotated, in the report.

3 Context of the training market

The VET system in Australia has been undergoing a process of rapid and fundamental change in recent years. Since the release of *Skills for Australia* in 1987, the publicly funded Technical and Further Education (TAFE) system has been restructured and reoriented in order to increase efficiency, effectiveness, flexibility and responsiveness to industry and enterprise needs. At the same time, steps have been taken to create a national VET system, comprising TAFE and non-TAFE providers in industry and the non-government education sector, in an effort to improve the national skills base and to increase opportunities for gaining recognised post-school qualifications for employment.

The renovation of VET has occurred as part of a broader program of micro-economic reform intended to increase economic productivity and international competitiveness. In view of the contribution of VET to the economy through its critical role in the process of national skills formation and the transition from school to work, VET reform has been linked directly to micro-economic reform of industrial relations and the labour market, key elements of which are award restructuring, workplace reform and, more recently, enterprise bargaining, individual employment contracts and the national training wage. The inter-relationship between training and industrial reform owes much to the significance attached to training and skill formation in *Australia Reconstructed* (ACTU/TDC, 1987), and to the notion of skills-based career paths underlying the Structural Efficiency Principle which was promulgated by the Industrial Relations Commission in 1988.

The series of reports on VET and associated policy initiatives undertaken by Commonwealth, State and Territory Governments since the late 1980s is now widely referred to as the national training reform agenda (NTRA). According to the Australian National Training Authority (ANTA), the principle objectives of the NTRA include:

- meeting new demands for training and skills development at all levels of the workforce;
- developing a training market that increases choice and efficiency;
- emphasising demonstrated competence rather than time serving;
- creating more flexible, broadly-based and modular approaches to training;
- ensuring greater national consistency in training standards and certification arrangements;
- enhancing access to training for disadvantaged groups; and
- improving articulation between different forms and levels of education and training. (ANTA, 1994, pp.1-2)

The concept of the training market is a relatively recent addition to the panoply of training reforms. Although the underlying logic of many of the early policy principles and directions of the NTRA signalled a drift towards a more market-oriented notion of

VET provision, it was not until the release of the Deveson Review in 1990 that the training market became a central feature of training reform. Since the Deveson Review (1990), a number of the earlier reforms such as user pays, overseas marketing, and competitive tendering have been subsumed within the conceptual framework of the 'open training market'. Although the training market is a relatively new concept, it is also a logical extension and elaboration of prior themes and principles implicit in the NTRA.

The training market concept and its insertion in the national training reform agenda is not just an invention of policy makers. Commentators on the politics and sociology of education by and large concur that the origins of the market concept lie in the growing influence of economic rationalism and corporate managerialism on public policy during the latter half of the 1980s (eg. Kell, 1993; Marginson, 1993; Anderson, 1995b; Ryan, 1995). They argue that the combined impact of economic rationalism on public policy formation and of corporate managerialism on administrative processes has transformed the discourses, structures and practices through which vocational education and training is shaped and constituted.

'Economic rationalism' is a contested notion and one marked by a considerable lack of clarity in definition. It is generally accepted that economic rationalism has its intellectual roots in the body of economic thought referred to as 'neo-classical economics'. Defenders of economic rationalism argue that 'central to economic rationalism is the belief that competitive markets are likely to improve economic efficiency', and that 'the focus of economic rationalism is on microeconomic reform, most specifically on making Australian industries respond more efficiently to the needs of their domestic and international customers' (James *et al.*, 1993, p.xxiii, p.xxiv). Moore (1993) contends that, contrary to common belief, economic rationalists do not advocate a literal *laissez faire* approach. Rather, they 'accept that government has a role to play, but argue that there is a need to abandon the general acceptance of the existing level of government intervention to correct *market* failure' (Moore, 1993, p.4). Fels and Walker (1993) provide further clarification of this definition by linking it to the notion of national competition reform, as espoused by the Hilmer Report (1993). They argue that economic rationalism 'is grounded in the belief that the market mechanism is the best means of delivering society's welfare goals. Competition policy is aimed at improving the efficiency of the market mechanism' (p.169). Defenders of economic rationalism consequently deny that the propagation of market theory is part of a wider political or ideological agenda. Instead, they argue that it has been conceived as a pragmatic response to perceived economic and social problems arising from external forces such as the globalisation of the economy and the collapse of the social democratic welfare state in developed nations like Australia.

Critics of economic rationalism generally dispute the claims to value-free pragmatism and political disinterestedness made by its defenders. Instead, they suggest that the systematic application of neoclassical microeconomic theory to public policy formation is an ideological prescription for radical social and political change. They suggest that economic rationalism necessarily has a moral and ethical dimension, and that its underlying assumptions and external effects can only be fully understood in social and political terms. Pusey (1993) defines economic rationalism as 'a doctrine

that says that markets and prices are the *only reliable* means of setting value on anything, and, further, that markets and money can *always*, at least in principle, deliver better outcomes than states and bureaucracies' (p.14, author's emphases). Pusey contends that the fundamental problem with economic rationalism is its failure or unwillingness to recognise that economies and economics are 'socially constructed', and that 'the final *a priori* of economic reason must always be that its own limits are socially given' (1993, p.14). According to Pusey, this universalising tendency impoverishes economic rationalist thought because it inherently rejects the need to evaluate economic ideas and policies on the basis of social and non-economic criteria.

Marginson (1993) defines 'economic rationalism' from a political economy perspective as 'the form of political rationality in which (paradoxically) the market economy is substituted for democratic politics and public planning as the system of production and co-ordination and the origin of social ethics' (p.57). Marginson argues that, in relation to education, economic rationalism has three distinctive features: a preoccupation with economic policy and economic objectives which displaces the social and cultural functions of education; a free market liberal approach to public policy; and an emphasis on managerial efficiency at the expense of the public service role of government.

Economic rationalist interpretations of education and training and of their relationship to the economy draw heavily upon human capital theory which conceives of education and training as an investment with positive economic effects. In simple terms, human capital theory views people as units of capital to which education and training add value, thereby increasing individual rates of return and contributing to improved industrial and economic productivity. In so doing, human capital theory posits the existence of a direct link between training, productivity and earnings, and argues that effects of education and training can be measured in monetary terms. Marginson (1993) demonstrates how human capital theory has been the most influential economic theory of education in recent times.

The claims of human capital theory however have been disputed by some economists of education. As Maglen (1990) and Maglen *et al.* (1994) point out, the central assumption in human capital theory that investment in education leads directly to increased industrial productivity has never been empirically grounded. A correlation between investment in education and increased earnings is apparent in the case of higher education, but is yet to be unequivocally demonstrated in relation to VET. Some of this correlation is due to the influence of factors such as social background. Economic analysis has to date been unable to disentangle and quantify the relative contributions of formal and informal learning to productivity, or to discriminate between the effects of education, technology and work organisation on productivity levels. In short, the causal connections between training, productivity and earnings have been assumed rather than proved by economists of education who rely on human capital theory. As a consequence, Ryan (1995) argues that 'the insights available from economic theory ... are such that extreme caution is needed before utilising them as a basis for policy - specifically, for a policy of fostering markets in VET' (p.32).

'Corporate managerialism' is widely recognised as the dominant style of administration which has emerged alongside economic rationalism. According to Yeatman, corporate managerialism is designed to foster a competitive economy through 'the replacement of public policy objectives couched in terms of social goods by public policy objectives couched in terms of economic goods' (quoted in Marginson, 1993, p.57). According to Bessant, corporate managerialism displays the following features: strong central control associated with devolved responsibility for operations; separation of policy determination from the sphere of devolution; focus on outputs within input-output models of production; emphasis on selling the product (cited in Marginson, 1993). In simple terms, the concepts and techniques which distinguish corporate managerialism amount to a systematic application of private sector business practices - in fields such as accounting, human resources management and marketing - to the management and delivery of public services such as education and training.

Marginson (1993) argues that since the latter half of the 1980s, public policy in all sectors of education and training has been dominated by the language and strategies of economic rationalism, specifically privatisation and commercialisation. This process has been administered within a framework of corporate managerialist principles and practices which emphasises centralisation of policy decision making, decentralisation of policy implementation, and promotion of entrepreneurial behaviour and business activities. These policy concepts and administrative strategies have been purportedly deployed in the interests of reducing the cost of education and training, decreasing the role of the State in educational provision, empowering clients and consumers over producers, and facilitating economic growth through the process of human capital formation, otherwise referred to as skills formation.

The increasing influence of economic rationalism and corporate managerialism on public policy making and administration is clearly evident in the VET sector since the late 1980s. Until that time, vocational education in Australia was dominated by the model of public provision, funding and regulation established following the Kangan Report in 1974 on needs in Technical and Further Education (TAFE). The supply of TAFE was mediated and shaped by government policy priorities and planning systems, and publicly recognised vocational qualifications were delivered almost exclusively through state-based TAFE systems. With TAFE colleges effectively insulated from external competition for resources and clients, and with public access heavily subsidised and rationed by government, formally recognised vocational education was produced and distributed largely under non-market conditions (Anderson, 1996b). Moreover, as Scholefield (1994) observes, the policy framework developed by the Kangan Report (1974) emphasised the primacy of individual over industry needs with the result that subsequent government policy gave precedence to the educational and social functions of TAFE over its economic and labour market functions.

Ryan argues that 'the first evidence that economic rationalism and corporate managerialism were making their presence felt within vocational education policy came with CTEC's review of TAFE funding in 1986' (1995, p.4). The merger of the Commonwealth Department of Education with the employment and training policy

areas of the Department of Employment and Industrial Relations in 1987 'facilitated the economic rationalist approach to TAFE and VET' (Ryan, 1995, p.4). Together with the simultaneous rise of the 'new managerialism' as the 'core ideology' in many areas of government administration, including those responsible for VET policy, the groundwork was laid for the transformation of VET along the lines envisaged by neo-liberal advocates of market reform.

Since the arrival of the national training reform agenda, there has been a systematic effort to dismantle the social democratic vision of TAFE espoused in the Kangan Report (1974) and to reorient VET provision towards meeting the needs of industry and the economy. As Scholefield argues, the national training reform agenda has been endeavouring to do this 'by diminishing the role of individual needs and asserting the primacy of a labour market orientation relative to an educational and social one' (1994, p.61). Moreover, market-oriented reforms introduced under the banner of the national training reform agenda 'represent the dismantling of the walls of monopoly' and effectively signal the end of the public TAFE sector's role as the dominant provider of recognised vocational qualifications (NBEET, 1991, p.25).

As a consequence, VET policy and practice have been progressively subsumed within the dominant discourse of economic rationalism, and free market liberalism has begun to exert a pervasive influence over the direction of VET reform. The training market has emerged as the new conceptual framework which, together with the associated organising principles of competition and consumer choice, has been used as the basis for reforming the production and consumption of VET, and for redefining the roles, responsibilities and relationships of the various stakeholders. As this review demonstrates, the market has also become the dominant paradigm for defining the terms of policy debate and shaping the framework for government decisions concerning policy priorities, program delivery and resource allocation in the VET sector. In effect, the application of neo-classical free market economics to VET policy signals a fundamentally new era in the development of the VET system in Australia.

4 Overview of training market reform and associated literature

The training market is a complex and multi-faceted phenomenon. It is open to a number of interpretations and can be analysed from a variety of theoretical perspectives - economic, political, sociological and educational - and at a range of levels - policy, management, and delivery. It is also a relatively new concept which has evolved rapidly over a short period of time. As a consequence of these factors, available literature on the training market is diverse and, to some extent, lacks coherence. In an attempt to make sense of what at first sight appears to be an amorphous body of literature, a chronological overview of key stages in the development of the training market concept in Australia is provided. This overview locates each reference in the broader context of training market reform, and identifies its role in and contribution to the policy debate. For a more comprehensive treatment of each reference, readers are referred to the individual annotations in Section 9.

The first phase of market reform

The development of a market-based approach to VET provision in Australia has occurred in three distinct phases. The first of these phases arguably commenced with the release of *Skills for Australia* (Dawkins & Holding, 1987). This report set in train a series of reforms which, *inter alia*, aimed to improve the efficiency and effectiveness of public training provision (particularly TAFE), and to diversify the sources of finance for expansion of the training system. Although the concept of a training market was not explicitly canvassed in *Skills for Australia* (1987) or subsequent policy statements issued by the Commonwealth Government up to the close of the 1980s, the various initiatives undertaken during this period in many respects laid the groundwork for future market-oriented reforms. In particular, deregulation of export education, the selective application of the 'user pays' principle to post-initial courses in TAFE, the introduction of competitive tendering in the context of the Australian Traineeship System (ATS) and Commonwealth labour market programs, the instigation of the Training Guarantee levy (designed to increase industry investment in training)[2], and a series of reforms aimed at commercialising aspects of public TAFE provision initiated a policy drift towards market forms of VET provision. The nature and impact of some of these early developments, particularly the commercialisation of TAFE provision, are charted in Mageean (1990), Marginson (1991), and Hammond (1992). Although this first phase of reform is critical in historical terms, this review focuses primarily on literature dealing with market-oriented policy reforms which post-date this initial period of development.

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[2] Although the Training Guarantee levy was implemented in 1990, it was first proposed in *Industry Training in Australia: The Need for Change* (Dawkins, 1989) which belongs to the first phase of market reform.

The second phase of market reform

The training market was first introduced as an explicit policy concept in the Australian context by the Training Costs Review Committee, chaired by Ivan Deveson (1990). The Deveson Review (1990) argued that the development of a comprehensive set of markets for training was an important emerging trend which was likely to accelerate in response to growing demand for vocational qualifications arising from award restructuring and rising retention rates among secondary school students. According to the Deveson Review, 'increasingly the decision by individuals and organisations to undertake training will involve a choice between public, industry and private training providers' (1990, p.9). It suggested that, due to resource constraints, the publicly funded TAFE sector would be unable to satisfy the projected growth in, and diversification of, demand for training, and argued that, through competition, a market-driven training system would increase private investment in skills formation, stimulate greater choice, diversity, flexibility and responsiveness, and promote increased efficiency and effectiveness. Given the identified need to increase the quantum of training in a context of government budgetary restraint, the Deveson Review therefore expressed support for 'moves to create a more diverse market for training' (1990, p.36).

The Deveson Review (1990) contributed to the development of a training market by providing the rationale for introducing the user pays principle and commercialising the TAFE system. It achieved the first objective by suggesting that, in view of rising demand for training in the wake of award restructuring at a time when public resources were severely limited, a greater share of the financial burden for training would in future have to be met by private beneficiaries, specifically industry and individuals. The second objective was achieved by arguing that 'most of the additional requirements for the delivery of training arising from award restructuring will be addressed through the workplace' (p.29) and that, as a consequence, the balance of TAFE provision would need to shift from recurrent program delivery to the wider community to training support for enterprise and industry-based training. In the context of a more competitive training market, the Deveson Review (1990) argued that the shift in balance would also require TAFE to adopt a more entrepreneurial approach to marketing its services to industry.

Specific proposals made by the Deveson Review were designed to promote these twin objectives. First, it proposed that Commonwealth restrictions on fee-charging in TAFE be removed, thereby allowing the introduction of a 'more open, rational and equitable' fee regime for individual students. Secondly, it proposed that a national system of provider registration and course accreditation be established to facilitate recognition and portability of skills, and to enable private providers to compete on equal terms with TAFE. Thirdly, it promoted the introduction of a range of business practices in TAFE such as 'cost recovery' and commercial accounting systems and pricing mechanisms.

The Deveson Review (1990) also proposed that the role of government be redefined in ways intended to facilitate a more market-driven system of training provision. It argued that, as a concomitant to the shift in the balance of training responsibilities and provision towards industry and enterprises, there was a need to deregulate the existing system of training provision to enable industry clients to exert a greater influence over the nature,

content and outcomes of training, and to encourage greater competition between public and private providers. While it argued that government regulation of market behaviour was still necessary to protect quality and equity, such powers should however be exercised 'with a light hand' (Deveson, 1990, p.36). The Deveson Review commissioned Powles (1990) to examine the access and equity implications of fees in TAFE and this paper proved influential in terms of shaping the conclusions reached, particularly its recommendation to develop an integrated equity package to off-set any adverse social implications of fee-charging in TAFE. Sweet (1990) was commissioned to examine the costs and benefits of initial vocational preparation and his findings contributed to the Review's proposals regarding both the distribution of costs between government, industry and individuals, and the need for a common recognition framework for public and private providers.

Two subsequent reports were instrumental in establishing the conceptual framework and administrative infrastructure for the development of the training market. *Progress and Prospects in Improved Skills Recognition* (NBEET, 1991) was important in that it promoted a 'new paradigm' of skills formation and recognition in which competencies would become the currency for market-based exchange. This report linked the development of new techniques for skills recognition to 'the move to construct a "level playing field" of training provision' in which 'private education and training providers (market-based and in-house) are being drawn into the mainstream by being allowed to offer courses leading to publicly recognised qualifications', and 'public providers (primarily TAFE) are being "pushed out" in the world of competition by new requirements and opportunities for selling training services and programs on the open market' (p.22). In particular, the report recommended that more flexible resource allocation methods be introduced to foster industry-based and cross-sectoral program provision, and that eligibility for government-subsidised student assistance, in the form of AUSTUDY, be extended to students enrolled in recognised private sector courses.

The report of the VEETAC Working Party on Recognition of Training (VEETAC, 1991) proposed the establishment of a National Framework for the Recognition of Training (NFROT) to standardise state and territory systems for provider registration and course accreditation. This mechanism promotes the development of a training market in two important ways. First, it enables hitherto unrecognised private providers to gain government registration and public accreditation for their training provision. Secondly, by accrediting all training against national industry-determined competency standards, NFROT facilitates national recognition and portability of skills gained in TAFE and non-TAFE settings, thereby linking training delivered in the public and private sectors. In effect, NFROT was to be a mechanism for both expanding the range of authorised suppliers of publicly recognised VET qualifications, and for introducing a common currency to facilitate market-based exchange. Also, by linking training outcomes to industry-determined competency standards, NFROT provides a basis for regulating the quality of VET provision.

NFROT was a key element in the package of national training reforms endorsed by the Ministers of Vocational Education, Employment and Training (MOVEET) in April 1992. State and Territory Governments have since taken steps to align their registration and accreditation systems with NFROT. The Allen Consulting Group (ACG, 1994a)

identified a number of perceived weaknesses in the implementation of NFROT including: inadequate involvement of industry; inconsistency between state and territory approaches; inadequate information and marketing; overly bureaucratic and costly processes; a bias towards inputs and courses (versus outputs and modules) in accreditation; and lack of a national implementation and monitoring mechanism for NFROT.

The Australian National Training Authority (ANTA) responded to this report with a number of proposals for improving implementation of NFROT (ANTA, 1994a) including facilitating course customisation, marketing NFROT and delegating authority to accredit; increasing flexibility and coordination of curriculum and standards development; equalising access to national curriculum for TAFE and registered private providers; streamlining course accreditation for private and enterprise providers; and developing closer links between competency levels and qualifications.

The report by the House of Representatives Standing Committee on Employment, Education and Training (HRSCEET, 1991) and, more significantly, the Finn Review (1991) and the Carmichael Report (1992) all supported the move to a more competitive training market comprising a diverse range of high quality TAFE and non-TAFE providers in industry and the private sector. The Finn Review (1991) advocated the notion of flexible pathways between school, TAFE, industry and private provision, and foreshadowed further deregulation and commercialisation of training provision. The Carmichael Report (1992) promoted the idea of integrated delivery networks and cooperative resource sharing arrangements between public and private providers. Both the latter reports also contributed to the further development of a national competency-based VET system.

Submission-based processes had been employed as a mechanism for funding private providers to deliver the off-the-job components of traineeships since 1986 and, following the recommendations of Dawkins and Holding (1987), competitive tendering was used by the Department of Employment, Education and Training (DEET) to allocate public funds to private providers for the delivery of labour market programs (LMPs). The Carmichael Report (1992), however, expressed strong reservations about proposals to use competitive tendering (CT) as a model for allocating resources for mainstream VET programs. It stated that 'it is very unclear how such a system would operate' beyond LMPs, and noted that 'it is not obvious that a tender system would improve the quantity, quality, cost-effectiveness and equity of training provision' (p.87). It recommended that steps be taken to rectify problems associated with tendering practices in Commonwealth-funded LMPs. The *Review of tendering for labour market programs* by the Commonwealth Employment Service Advisory Committee (CESAC, 1992) identified a range of strategies for improving the efficiency and effectiveness of competitive tendering processes for LMPs. In spite of certain shortcomings in the administration of CT processes, CESAC concluded that tendering is an appropriate purchasing mechanism for labour market programs, and that 'a competitive market has the potential to provide quality, cost-effective training which is responsive to the demands of the market' (p.xvi).

By and large, this second phase of market reform of VET was characterised by incrementalism and policy drift rather than a concerted government approach to market-based reform. Nevertheless, references to the training market became increasingly prominent in policy literature during the period between 1990 and 1992. However, as a policy concept, the training market remained relatively under-developed and the implementation of market reforms was both *ad hoc* and uncoordinated across state boundaries. A notable feature of this period of market development was the concentration on supply-side reforms, particularly in the form of private provider recognition, competitive tendering and a range of strategies to commercialise TAFE provision. Nevertheless, significant reforms on the demand side also occurred including the deregulation of fee-charging in TAFE and the further extension of Commonwealth Government financial assistance (AUSTUDY) to students enrolled in recognised private sector courses.

During this phase, analyses of market reform were limited in number and scope. The full significance and potential implications of a market-based approach to VET provision had generally not yet been recognised in the literature, other than by Marginson (1992). Byrne (1991) provided a TAFE teacher union perspective on the emerging concept of the training market, and Edwards (1992) described the directions of training market reform and examined some of the implications for TAFE.

The third phase of market reform

During the third phase of market reform of VET, the concept of a training market began to crystallise more clearly and a more concerted approach to implementation began to emerge. This phase of reform commenced in the latter half of 1992 with the establishment of the Australian National Training Authority (ANTA) which was given legislative responsibility to foster the development of a competitive national training market. Subsequently, ANTA placed high priority on the development of a 'client-focused culture' and initiated a series of pilot funding programs to stimulate inter and intra-sectoral competition between providers. The strong advocacy of 'client focus' and market-responsiveness in VET by Sweet (1993) was particularly influential in terms of shifting the focus of training reform from the supply of VET to the demand for VET.

The turning point in this third phase of VET market reform was the publication of the ANTA-commissioned report by the Allen Consulting Group (ACG), *Successful Reform. Competitive Skills for Australians and Australian Enterprises* (ACG, 1994a). Essentially, this report argued that training reform had placed too much emphasis on supply side initiatives at the expense of meeting the needs of industry and enterprises, generally defined as the principal clients of the training system. It argued that 'the national training reforms should be refocussed on the demand side (and) conceived as developing a training market centred on *direct* client relationships between training providers, on the one hand, and enterprises and individuals on the other' (p.54, their italics).

To facilitate this re-orientation in training market reform, ACG (1994a) proposed the development of a 'user buys' approach. It argued that, by directing funds to clients

(rather than providers) and allowing them to purchase accredited training from any registered provider (public or private), 'user buys' would effectively shift the balance of power away from providers (supply) to clients (demand). ACG proposed that 'user buys' be initially restricted to formal employment-based training arrangements, such as apprenticeships and traineeships, as it is in these areas that 'the employer obligation to train is most apparent, and ... the interests of the enterprise and the individual most obviously coincide' (1994a, p.55). It argued that 'user buys' would produce a far more direct and client-responsive relationship between suppliers and consumers, and a training system which was more efficient and responsive to the skill requirements of industry and enterprises. ACG (1994a) recommended a number of other initiatives to advance the development of the training market, and gave special emphasis to improving the quality and availability of information to clients via mechanisms such as intermediaries or brokers.

The Australian National Training Authority responded to the ACG report (1994a) with the release of *Proposals for more effective implementation of training reform* (ANTA, 1994a). In place of 'user buys', however, ANTA proposed that a system of 'user choice' be instituted on a pilot basis. Although 'user choice' captured the essential spirit of the ACG proposal, in that it shifted emphasis of reform from the supply to the demand side of training, it nevertheless differed in a significant way. While 'user buys' transferred both choice *and* purchasing power (resources) to clients (industry and enterprises), 'user choice' gave clients responsibility for choosing a preferred supplier and negotiating elements of training provision but not for managing the accompanying resources. Responsibility for resource allocation remained with a central training authority which would direct resources to providers according to the expressed preferences of clients. ANTA justified this modification on the grounds that giving public resources to enterprises for subsequent allocation 'may involve the business in unnecessary contractual and audit requirements' (p.31).

The concept of 'user choice' has been explored and developed in documents such as ANTA (1994b) and Harmsworth (1995), and in conference papers by Shreeve (1995), Jones (1995) and Martin (1995) who commented on 'user choice' from the perspectives of a TAFE practitioner, industry trainer and private provider respectively. Bloch (1995) examined the issues of efficiency and performance measurement in the context of 'user choice' and the training market. Curtain (1995), a consultant to ACG and one of the original authors of the 'user buys' concept, examined the ANTA alternative from a critical perspective. He argued, in effect, that the policy modification by ANTA diluted the original intention of the 'user buys' proposal which was to shift both choice *and* purchasing power to the client, thereby reducing the bureaucratic interference of government authorities and ensuring a more direct and responsive relationship between provider and client. Moreover, he argued that failure to recognise and develop the role of intermediaries in the market would limit the extent to which small businesses are able to participate effectively in 'user choice'.

The related policy concepts of 'user buys' and 'user choice' owe much to public choice theory which argues that policy and resource decisions made by democratically accountable bodies of public officials are inherently more wasteful and inefficient than those made by private individuals. It suggests that public policy and the provision of

services has been 'captured' by self-interested providers and pressure groups, such as teachers and community groups, whose primary interest lies in the expansion of public services at the expense of the taxpayer. Public choice theorists argue that, by shifting the balance of power to the consumer-taxpayer, service provision will automatically become more cost-efficient and effective (see, for instance, Marginson, 1993).

The concept of 'user choice' and associated market reforms have emerged in a context of heightened policy emphasis on competition in public sector reform in the wake of the Hilmer Report (1993). ANTA commissioned a paper by Selby Smith (1994) which examined the implications of national competition policy for the VET system. Although this paper identified no direct or immediate implications, and argued that national competition policy as applied to the VET sector remains a matter of interpretation, it suggested that the principles and processes underlying competition policy have broad implications for VET. In particular, it highlighted the issue of 'competitive neutrality' - ie. placing public and providers on an equal footing in terms of access to resources etc. - and identified a need to examine how it might be achieved in the context of the training market. The influence of competition policy on the national training reform agenda is evident in the ANTA National Strategy for Vocational Education and Training, *Towards a Skilled Australia* (ANTA, 1994c), which stated that competition is 'universally recognised as the most effective way to improve services, contain or reduce costs and focus an organisation's efforts away from its own preoccupations towards those of its customers' (p.7). In addition to promoting 'user choice', the National Strategy indicates that supply side reform will continue in the form of expanded arrangements for competitive tendering, and the removal of barriers to market entry and competition by way of reforming NFROT and facilitating private access to public curriculum and facilities.

Research on the training market in Australia has to date been limited. In 1994, the Allen Consulting Group was commissioned by the Victorian Office of Training and Further Education to undertake a research-based study of the training market (ACG, 1994b). The ACG report, *Establishing an Effective Australian Training Market* (1994b) utilised a variety of data sources, mainly Australian Bureau of Statistics (ABS) data, to analyse the size, structure and role of the training market, and to develop models for more effective implementation of market-based reform. Although this report, which is both complex and wide-ranging in its examination of the training market, has not been as directly influential as ACG (1994a) in terms of shaping market reform, it remains the most comprehensive study of the training market in Australia to date. This study drew on prior work by Anderson whose report, *Blurring the boundaries: TAFE and commercial colleges in the open training market* (1994), was the first to examine the nature, structure, operation and policy implications of the training market on the basis of empirical research. Anderson (1994) primarily utilised case study research to undertake a comparative study of the changing nature, role and significance of public and private providers in the context of the emerging training market.

Other research on market-related issues include work by Barnett and Wilson (1994) who conducted four case studies of providers of adult community education, Maglen and Selby Smith (1995) who investigated course costing and pricing options in NSW TAFE, and Kell, Balatti and Muspratt (1995) who undertook research on private providers in

North Queensland. Anderson (1996b) analyses the impact of market reforms on the structure, balance and character of VET sectors, and argues that the necessary conditions have been created for the emergence of a parallel private VET sector in Australia. Two reviews of research have also been published on topics relating to the training market. Barnett (1994a) reviewed available research on fees and charges in TAFE and discussed their impact on disadvantaged groups. Anderson (1995a) reviewed research on private training provision in Australia.

In 1995, ANTA commissioned the Western Australian Department of Training to undertake a major national study of training market development (WADOT, 1995, 1996). This study comprises a comprehensive audit of market-oriented initiatives taken by State and Territory Governments in response to Commonwealth policy priorities. However, it concentrates almost exclusively on supply side initiatives, specifically the use of competitive tendering to allocate public training resources (primarily ANTA growth funds). In addition, ANTA has funded two national projects on user choice: first, a study by Coopers Lybrand of issues associated with the introduction of 'user choice' principles in regulated training; and secondly, a national evaluation of 'user choice' pilot projects by Joy Selby Smith and Associates. At the time of writing, however, neither report had been finalised.

The third phase of market reform in the VET sector has been marked by the publication of a diverse range of policy analyses and critiques which can be variously located along an ideological continuum running between market advocacy and criticism. At one end, market advocates tend to extol the virtues of competition, arguing that the discipline of the market will enhance efficiency, flexibility, diversity, innovation and responsiveness. Moreover, they argue that market-driven VET provision empowers clients over producers, and maximises choice and diversity for the consumer. At the other end, critics argue that market forces will distort the educational purposes of VET provision, devalue its social and cultural functions, aggravate social and economic inequality, and undermine democratic control and accountability. Market critics tend to emphasise the positive effects of cooperation among providers and clients, and highlight the need to insulate public services, such as VET, from the profit motive so as to protect the public interest. Between these bi-polar positions, there is much variation and frequent overlap. Few, if any, authors consistently adopt one or other of these dichotomous positions in totality. Nevertheless, this schema provides a useful organising device for locating particular texts within the context of the broader debate.

A number of commentators have argued in favour of more deregulation and privatisation, albeit in different ways and to various degrees. Sweet (1993) argues that the training market is overly centralised and bureaucratised, and needs to be further decentralised and deregulated to facilitate greater flexibility and client-responsiveness at a local level. Developing this line of argument, Sweet (1994) presents a case for replacing centralised planning in VET with market models of resource allocation. Fitzgerald (1994) examines the role of government in VET in the context of market reform, and argues for minimal government intervention. However, both authors draw a distinction between initial and post-initial provision, acknowledging that initial or entry level training has positive social and economic externalities, the maintenance of which requires some government intervention.

Other market advocates, however, are less concerned to draw such a clear line. Sloan (1994) argues that 'much of the literature on vocational education and training does not approach the subject matter from a "market perspective" (and) tends to be dominated by educational concerns or systems-based approaches to training structures' (p.1). Instead, Sloan presents a critique of the national training reforms which she argues are based on a 'deep distrust of markets and market forces'. She proposes a number of reforms to overcome 'market failure' and enhance the role and influence of enterprises in training provision. Speaking on behalf of private providers, Martin (1995) advocates a much more deregulated and privatised approach to training provision than that which currently exists. She proposes that the public sector withdraw altogether from training provision 'when the private sector can cope with the volume of clients and offer the courses more efficiently' (p.183).

Some commentators adopt a middle path. Generally, they argue that although positive gains may ensue from market reform in terms of greater efficiency, diversity, flexibility and responsiveness, there may also be adverse social effects which government would need to prevent or remedy through policy intervention and market regulation. Fisher (1993), for instance, accepts the inevitability of market-based reform but argues that current policy conceptions of the training market ignore both the complex and multi-faceted nature and role of VET, and the diverse and competing interests of stakeholders. In an analysis of the effects of market reforms on public and private training provision, Anderson (1994) argues in favour of a mixed model of centrally planned and market-driven provision. In a broad overview of training market reforms in Australia, Lundberg (1994) supports the development of a more competitive approach to VET provision on the proviso that it occurs within the context of a 'regulated market'. Ryan (1995), who provides the most up-to-date and comprehensive analysis of market reforms in Australian VET, questions many of the economic assumptions underlying recent policy developments, and calls for a more cautious approach. He argues that reforms to date have been largely *ad hoc* and inconsistent due to the absence of a clear strategic vision for market reform in the VET sector.

Other critics argue that the basic assumptions underlying market-based reform are seriously flawed, and that an increasing reliance on market mechanisms is likely to have undesirable social and educational consequences. Building on his earlier work (1991, 1992), Marginson (1993), presents a wide-ranging critique of the impact of economic rationalism and corporate managerialism on education and training policy in Australia. He argues that a free market economic agenda has been installed at the heart of public education policy, and that marketisation damages the social and cultural functions of education and training. On a more theoretical note, Marginson (1995) examines commodity forms in education and training. Barnett (1993) discusses the implications of an open training market for women, and argues that, unless remedial action is taken by government, inequitable patterns of gender participation will be perpetuated and exacerbated. Yeatman (1994) questions some of the key assumptions underlying an industry-driven training system and argues for a more diverse notion of clients which also recognises 'non-market participants'. Fooks (1995) criticises the 'new orthodoxy' of competition and 'user choice' and identifies several undesirable consequences for public training infrastructure. Within a wider critique of the changing role of the State,

Kell (1993, 1995) argues that market reforms have fragmented the public TAFE system and marginalised the interests of women and disadvantaged groups. Anderson (1995b) examines the development of the training market and identifies potentially negative implications for post-compulsory education and training. Anderson (1995c) highlights the negative impact of recent market-related reforms on access to essential support services, and argues that the rights of individual students as consumers have been overlooked. Anderson (1996a) questions the primacy attached to industry over individual needs, and argues that meeting the needs of students as active learners, rather than as passive consumers, should be restored as the central concern of TAFE providers and systems.

Since the inception of the training market concept in 1990, therefore, a considerable body of literature has emerged. Each of the above-mentioned references has contributed to the policy debate about market reforms in VET in distinctive and significant ways. The next section examines a number of key issues which have been addressed in the literature.

5 The training market: concept, policy objectives, structure and operation

This section examines the concept and policy objectives of the training market as defined in the literature, and reviews research on the structure and operation of the training market.

5.1 Defining the training market

In spite of its centrality, the concept of the training market is ill-defined, open to multiple meanings and interpretations, and characterised by a lack of precision in usage. A striking feature of the literature is that in most cases the meaning of the term 'training market' tends to be taken for granted. Few analysts or commentators have attempted to provide a clear and coherent definition of the term, and most have chosen instead to work on the assumption that it is an unproblematic and widely understood concept in the policy lexicon. Where definitions are ventured, they tend to be hazy, incomplete and inconsistent. Aside from the relative novelty of the term, there are no historical precedents or clear reference points to assist in its definition. As Fisher has noted, 'the "training market" appears to be a peculiarly Australian contribution to public policy - the concept is effectively absent from equivalent policy debates in North America and Asia' (1993, p.27).

Compounding the lack of a clear definition is a high degree of terminological inconsistency. Different terms are frequently used interchangeably to denote the training market, usually without any clear rationale or explanation. While terms such as 'open training market' and 'national training market' denote special characteristics about the training market, the precise significance of such qualifiers is generally left unclear. Moreover, as will be discussed in more detail later, the boundaries of the training market are left largely unspecified. Most authors assume the training market to be coterminous with the 'vocational education and training sector', once again variously defined, although generally limited to the sphere of post-compulsory, non-degree level education and training that leads to publicly recognised vocational qualifications.

As stated elsewhere, the term first gained wide currency in the context of the review of the training costs of award restructuring by the Training Costs Review Committee chaired by Ivan Deveson (Deveson, 1990). According to the Deveson Review:

> The notion of a market involves both more and less than a series of dollar transactions. On the one hand, the mere keeping of books of account with dollar records does not of itself constitute a market. Nor does commercialism necessarily constitute a market. On the other hand, a market may exist even though participants never meet together in one place. The foreign exchange

> market conducted entirely through electronic screen transactions is one such example. The distinguishing feature of a market is the ability to conduct transactions with relative freedom among many potential buyers and sellers (1990, p.9).

Implicit in this definition are three important qualifications. If a market is to operate effectively, there must be a standardised product, a diverse array of providers/suppliers, and sufficient product information to allow consumers to make informed judgements about the relative worth of a training activity. The Deveson Review (1990) therefore adopted a largely standard textbook definition of a market as a place in which goods and services are exchanged freely among informed buyers and diverse sellers on a commercial basis.

Most references conceptualise the training market, either explicitly or implicitly, within a similar economic framework. Burke *et al* (1994) suggest that 'competitive markets involve: a large number of buyers and sellers; a homogeneous product; and good, if not perfect, knowledge' (p.61). On the basis of these assumptions, they argue that: 'it can be demonstrated that such markets lead through competition to production at minimum costs with existing techniques'; and that efficiency will be achieved 'at least in terms of meeting the needs of buyers: with their existing pattern of purchasing power; and assuming that all benefits and costs are private ones' (p.61).

Some definitions attempt to link the notion of a training market to that of the labour market. In Edwards (1992), the training market consists of '*training suppliers*', which includes public providers, private providers and in-house trainers, and '*customers*' (industry and students). Edwards suggests that in conceptualising the link between training provision and industrial production, 'the model that fits closest to normal business practice is to regard industry as the customer and students as the suppliers' and, by extension, 'the value added by the State Training System is the training and credentials' (p.31).

The report by the Allen Consulting Group, *Establishing an effective Australian training market* (ACG, 1994b) comprises the most detailed study of the training market to date. It notes that 'the training market ... is adjoint to the labour market' and defines the training market as 'that part of the education and training system which provides individuals with the skills and learning expressly required by enterprises and industries' (p.2). ACG adopts a conventional economic model to suggest that the training market produces outputs which substantially have the character of investment goods in that they produce a future stream of benefits:

> Specifically, the skills and capabilities imparted are *human capital* investments which, in use, bring durable benefits of higher productivity - benefits which are typically shared by the enterprise and the individual employee. These ultimate users, who determine how skills are used and the potential value of further investment in particular skills, thus determine the value of the training that produces those skills as an outcome. (p.2, author's emphasis)

The ACG concept of a training market draws distinctions between: *providers*, defined as TAFE institutions, commercial or other non-TAFE training institutions, enterprise training arms, and others; *purchasers* which include Commonwealth and State governments, enterprises and individuals; *products* defined as skills recognised in qualifications or gained in unrecognised courses; *clients* defined as individuals and enterprises; and *outputs* defined as 'skill outcomes ... for clients in the labour market, for use in industry' (p.3).

Byrne (1991) links the development of a training market to the emergence of new technology, the introduction of changes to work organisation and the creation of enterprise-based promotion structures. Byrne argues in effect that the development of a training market is related to the emergence of a post-Fordist workplace, and that skills formation in the training market is linked to flexible modes of production in industry via skills-based career paths:

> As industry restructures towards more efficient production of new types of goods and services, radical change to the organisation of work and the culture of the workplace is becoming imperative ... Education structures have been tailored to suit the old systems of production and must also be reassessed ... A training system which can allow and assist workers to develop high levels of competence in a range of skills must cross the current boundaries of public training systems, workplace based training, and some activities of private training enterprise (1991, p.15).

Byrne, like most commentators, adopts a 'supply-side' perspective in that he defines the training market largely as a diverse array of training providers operating under greater or lesser degrees of competition and government regulation. He also draws a distinction between a 'training system' on the one hand, in which government retains an important role as a regulator of training supply in the interests of promoting quality and access, and a 'training market' on the other, which is largely if not wholly deregulated and devoid of government intervention.

In an examination of the structure of the training market, Selby Smith (1994) observes that, in spite of its prominence in policy debate, the content and meaning of the term 'national training market' has received little attention. The author favours the Hilmer definition of a market as 'an area of closer competition or rivalry in which one product or source of supply may be substituted in response to changing prices', and one which has 'product, geographical, temporal or functional dimensions' (Hilmer, 1993, p.28). Selby Smith notes that in Hilmer's terms, 'there has been a market (or markets) for education and training services in Australia since colonial times, even if little has been known about them or little attention given them' (1994, p.9). According to Selby Smith, the key feature of the training market is that governments have intervened as *funders* and have become dominant *providers*. Recently however, the principal concern of policy has shifted from the role of government as funder and provider to that of efficiency in delivery.

Fisher (1993) adopts a somewhat different approach to defining the 'national training market'. Noting that 'there is little evidence of a thorough understanding of the idea of

a national training market (NTM)'. Fisher argues that the main interpretations appear to be: *NTM as a commercial practice*, that is a mechanism for introducing market-like techniques such as competitive tendering for program funds; *NTM as a descriptor of the range of suppliers and buyers of training*, that is a means for diversifying the existing array of training providers particularly through recognition of private providers; *NTM as a message designed to change the relative power and influence of various players*, that is to increase the influence of industry over training provision; and *NTM as describing new forms of operating arrangements*, that is using competition to increase provider responsiveness to consumer preferences based on price and other characteristics.

Barnett (1993) defines the 'open training market' as 'the provision of vocational education services on the basis of open competition between and among public and private providers' (p.10). Barnett's definition refers to the basic laws and relationships which, according to economic theory, govern the operation of a market:

> The notion of a 'market' implies a process composed of two interdependent components simultaneously reflecting demand and supply conditions. A market is essentially a dynamic mechanism for the transaction of goods and services. Through the market process, consumers express their choices about what to purchase and what not to purchase, and suppliers reveal their choices about what they will and will not produce. Demand and supply interact in a dynamic manner, each influencing and being influenced by the other (1993, p.10).

For the purposes of analysing the nature and extent of market processes in the Australian VET sector, Barnett represents purely public and private training supply systems as opposing ends of a *continuum*. At one end, public (non-market) provision is characterised by a monopoly on supply and accompanied by a high degree of regulation, allowing consumers minimal choice. By contrast, purely private (open market) provision is characterised by a competition-based supply mode, with negligible regulation and maximisation of consumer choice. According to the author, the current training system is located *towards* (but not at the extreme of) the non-market end of the continuum. The development of an open training market 'involves moving the system *towards* the "open market" end of the spectrum' (p.11).

Underpinning all of these definitions is the notion of competition as both the organising principle and *modus operandi* of the training market. Competition is assumed to activate and motivate participants in a way that will serve the ultimate policy objectives of the training market: efficiency and effectiveness. The latter objectives are realised in a state of market-based competition because the dynamic interaction between supply and demand exerts pressure on producers/suppliers to minimise costs and maximise quality (Deveson, 1990).

The literature also suggests that there are various pre-conditions which must be satisfied if competition is to promote optimal efficiency and effectiveness in a market-based system of VET provision. First, there must be a diversity of producers/suppliers without which choice for consumers would be limited. This in turn requires that

barriers to market entry remain low. Secondly, the production and supply of training goods and services must occur on a 'level playing field', that is in a state of 'competitive neutrality' between training providers. Market intervention by government in the form of regulation should therefore be minimised and essentially confined to measures designed to eliminate impediments to competition and free exchange. Further, a state of 'perfect knowledge' must exist among consumers of training products without which informed judgements about the relative value of training products cannot be made. All of the above are predicated on the assumption that something of value exists (eg. skills, competencies) which can be produced and consumed under market (or market-like) conditions in accordance with the laws of supply and demand, and that the 'product' is amenable to processes of commercial exchange.

In summary, the most notable feature of existing definitions of the training market is that they are almost invariably constructed within a conceptual and linguistic framework derived from economic rationalism. By and large, it is also assumed that the 'training market' operates within the formal boundaries of the VET sector which excludes compulsory secondary schooling at one end and degree-level university education at the other. The training market concept is in turn linked to notions of competition, diversity, choice and perfect knowledge.

5.2 Policy objectives of the training market

One problem identified in the literature is the lack of any clear and coherent statement by governments of the policy intentions behind the development of the training market. In official policy statements and reports to date, the objectives of establishing a training market have generally been expressed as the promotion of greater efficiency and effectiveness in the delivery of VET programs and services. In its review of policy and funding options for satisfying increased demand for training, the Deveson Review (1990) suggests that a market-driven approach to VET would raise the quantum of training provision, increase choice and diversity for the consumer, reduce training costs, and enhance the efficiency, quality and responsiveness of training delivery.

Following the release of the Deveson Review (1990), the open training market concept was endorsed by a Special Ministerial Conference in November 1990. At that stage however, 'the implications of the decision by Commonwealth, state and territory ministers ... were not clearly spelt out' (Lundberg, 1995, p.4). In 1992, the training market concept was incorporated by the Ministers of Vocational Education, Employment and Training (MOVEET) in a co-ordinated national plan for reforming the VET system. In *Common and agreed national goals for vocational education and training in Australia*, MOVEET agreed to:

> Develop a national vocational education and training system in which publicly funded, private and industry providers can operate effectively, efficiently and collaboratively, and which meets the needs of industry and individuals (1992, p.4).

Towards this goal, MOVEET proposed to 'develop an efficient, effective, responsive and integrated training market'. The training market objective was subsequently reflected in State and Territory government policy frameworks in accordance with the MOVEET agreement.

The policy objectives were further elaborated by the Employment and Skills Formation Council (ESFC) which identified the benefits of developing a training market as follows:

> A freer or more open or competitive market is expected to:
>
> - increase the scope for private provision of vocational education and training;
> - increase competitive pressures on TAFE and other vocational education and training providers, and thereby increase incentives for vocational education and training providers to be more responsive to industry;
> - allow stakeholders to shape which bodies provide what forms of vocational education and training; and
> - assist in the development of a more integrated and nationally consistent system through a national market ...
>
> Development of a more open training market is likely to produce a greater diversity of vocational education and training, and more responsiveness to industry and community needs (Carmichael, 1992, p.86).

In its first statement of priorities for the national VET system, the Australian National Training Authority (ANTA) indicates that it aims to 'build a client-focussed culture' among VET providers. It states that 'the objective is to develop a more client-responsive national VET system by establishing a competitive training market' (ANTA, 1993, p.18). Various strategies are identified for achieving this goal including promoting private provider registration and course accreditation, setting targets for private and industry provider funding, and ensuring equal recognition for public and private providers.

In its 1994 Annual National Report on Australia's vocational education and training system, ANTA indicated that the aims of developing an open training market are to:

- remove the monopoly of TAFE to award qualifications;
- ensure that the TAFE system is able to negotiate freely with industries, enterprises and individuals to provide training services and to charge for them;
- find appropriate ways for government to fund industry and other private training providers to undertake some aspects of training so that all government funding does not have to be allocated to TAFE; and
- encourage industries to spend more on training. (1995, p.10)

ANTA identified a number of strategies which had been implemented and piloted throughout the system to enhance the development of an open training market including competitive tendering, preferred supplier arrangements[3], cooperative ventures and 'user choice'. It reported that $12 million were made available during 1994 for open tendering activities, and foreshadowed a substantial increase in 1995. These funds were part of the $720 million in growth funds set aside for the VET sector under the Federal Government's *One Nation* initiative (Keating, 1992).

In spite of these various official statements, the policy objectives of the training market remain vague and open to conjecture. Lundberg (1994) suggests that although Commonwealth and State government ministers have agreed to establish a competitive training market, the policy objectives are 'fuzzy'. Selby Smith argues that the concept of a training market has to date lacked policy content and 'would appear at times to be used as a proxy for the desire to make the VET system more "efficient", more "responsive" or more "commercial"' (1994, p.8). Fisher (1993) suggests that the national training market was designed to promote responsiveness, flexibility, cost effectiveness, diversity and innovation. Burke *et al.* (1994) argue that the development of a diverse training market has been undertaken in order to provide competition for TAFE, stimulate efficiency and increase private sources of finance in a period of tight public funding. In addition, they suggest that 'one of the main reasons for stimulating the development of a market is to increase awareness of both the content of VET and, for employers, awareness of their particular needs and the capacity to have them met' (p.62). Ryan contends that:

> In reviewing the processes by which the concept of the training market has been introduced in Australia, it is difficult not to conclude that dissatisfaction with the public TAFE system as it developed from the Kangan era has been of greater significance than any positive and forward looking alternative vision (1995, p.42).

The lack of both a clear definition of the training market and an explicit set of associated policy objectives may in part explain some of the problems which have beleaguered recent attempts to research and evaluate the phenomenon.

5.3 Market structure and operation

In general, the literature treats the 'training market' as a single and relatively undifferentiated entity. However, some authors have suggested that a multiplicity of markets exist or alternatively that the training market is composed of a number of market sectors. The Deveson Review (1990), for instance, observes that 'an important trend ... is the development of a comprehensive set of markets for training' and highlights 'the need to give consideration to the nature of the evolving markets for training' (p.9). This report however does not provide a detailed explanation of market types or any coherent taxonomy of market sectors. The only elaboration of the

[3] 'Preferred supplier arrangements' refer to the practice of choosing a training provider(s) on evidence of past performance and demonstrated ability to achieve specified outcomes.

concept was the observation that markets exist for '*training outputs*', or competencies, and for '*training inputs*', or the supply of training services by one provider (eg. skills audits) which often forms part of the inputs for another provider's output (eg. in-house training).

ACG (1994b) estimates that the overall size of the training market was between $6.5 and $8.6 billion in 1992. In terms of the provider dimension of the training market, the single largest provider sector was TAFE which accounted for around $3 billion of revenues, followed by the 'supplier, equipment manufacturer' sector estimated to be between $1.0 and $1.7 billion, internal enterprise provision estimated at around $1.1 billion, the commercial training business and non-profit training organisation sectors each estimated to be between $0.5 and $1.0 billion in size, the adult and community education sector at between $250 and $500 million, industry skill centres at between $200 and $250 million, and the business college sector at between $60 and $150 million. In terms of purchasers, funds from Commonwealth and State governments were found to account for just under half of the training market income, and enterprises provided over 40 per cent on a minimum estimate. Around 1.6 million clients were enrolled in 1992 for studies leading to educational qualifications. However, ACG (1994b) points out that 'while the number of persons enrolled in courses leading to qualifications is significant, the number of persons who undertook other training courses (which did not lead to formal qualifications) is even larger' (p.ii).

ACG (1994b) constructed a profile of the training market within its framework of providers, purchasers and outputs. The key elements of this profile are as follows. In terms of providers, there were 704 TAFE institutions providing training to 1.7 million students in 1992. Most TAFE income (87 per cent) is either direct Commonwealth or State payments. Around 1200 registered private providers were offering accredited courses, but only an estimated 25 per cent of private were conducting accredited courses in 1993. ACG (1994b) noted that 'although a great deal of training is carried out in enterprises, enterprise-based training leading to qualifications is still relatively underdeveloped in most areas' (p.9). With respect to purchasers, ACG (1994b) nominated the major increase in Commonwealth funding for TAFE and the associated formation of ANTA in July 1992 as the most important change to funding. The bulk of training expenditure by enterprises which account for an estimated 43 per cent of training market purchases (omitting trainee wage and salary costs) is for training which does not lead to formal qualifications. Large firms (100+ employees) spend more than twice as much per capita as small firms (under 20 employees), and account for three quarters of enterprise training expenditure including wages and salaries. In terms of outputs, ABS estimates indicate that 86 per cent of wage and salary earners undertook some form of training in 1993. According to ACG (1994b), most of this training was in the form of on-the-job training (82 per cent). In total, 28 per cent of study leading to qualifications is supported in some form by employers while 56 per cent of external training courses undertaken by employees are supported by employers. ACG (1994b) estimates that the stock of skills has grown strongly every year over the period 1988-1993, with degrees growing fastest. The proportion of persons with post-school qualifications has increased from around 39 per cent in 1988 to 43 per cent in 1993.

Documenting the precise size and structure of the training market in terms of providers, purchasers, products, clients and outputs is extremely difficult. As Burke *et al* found in their *Review of Statistical Data for Research on VET* (1996), data on key elements of the training market, particularly private providers, enterprise training, finances and clients is extremely limited. Moreover, available data tend to lack sufficient detail, comparability and consistency across sectors and over time.

ACG (1994b) notes that the training market 'is quite clearly not a single homogeneous market but rather a number of heterogeneous markets and quasi-markets shaped by a variety of factors, and in particular the current and historical patterns of government funding' (p.48). It identified three market sectors by funding mode: the first sector involves direct government funding of institutions - primarily TAFE - and is described as a *quasi-market* in which some market-like processes and at least implicit competition occur. In this market sector 'the structure or pattern of training provision, and the degree of competition among TAFE institutions within the system, are very heavily influenced by the priorities of each of the State TAFE systems and in turn those of their governments' (p.51). The second sector is the *funding market* or 'market for government training funds which are open to competitive tendering rather than channelled directly to institutions' (p.49). This market sector comprises funding allocated on a competitive basis under three main groups of Commonwealth programs (the Australian Traineeship System (ATS), Labour Market Programs (LMPs), and the Adult Migrant Education Program (AMEP)), in addition to ANTA growth funds allocated by State governments. The third sector is the *open or commercial training market* in which 'the ultimate users of training directly purchase training "products" from providers' (p.49). ACG notes that this sector is the only one in which market processes operate fully.

Anderson (1994, 1996b) identifies three major market sectors on the basis of existing financial *and* regulatory arrangements. According to Anderson, the training market comprises: a *regulated or closed market sector* in which access to government funds is restricted to public training institutions, principally TAFE providers, and in which resource allocation and training delivery are subject to high levels of government planning and regulation; a *partially regulated or quasi-market sector* in which government funds are allocated to public and private providers via simulated market processes such as competitive tendering and funding submissions, and in which training delivery is subject to partial government regulation (ie. provider registration and course accreditation under NFROT, performance agreements and contractual accountability); and a *deregulated or open market sector* in which training providers (public and private) engage in direct competition for clients and resources (eg. overseas students, industry training contracts) and in which training delivery is entirely free of government regulation.

Until the introduction of the training market reforms, competition between public and private providers was indirect and limited in scope due largely to government restrictions on access to public funds and accreditation. Anderson (1994) found 'evidence of an intensification of competitive pressures in those areas of the training market in which genuine free or open market conditions prevail, such as fee-for-

service training for industry and overseas students, and where government has taken steps to introduce quasi-market mechanisms such as competitive tendering for labour market program funds' (p.158). Competition between public and private providers tends to be intrastate, although interstate competition appears to be increasing (Anderson, 1994). ACG (1994b) reported that 'the degree to which TAFE competes directly with private providers varies by State, depending on the commercial strategy ... of the respective State training authorities' (p.78). Anderson (1994) also found that intrasectoral competition in the public and private sectors is stronger than intersectoral competition between public and private providers. Both researchers identified a range of market distortions or barriers to entry which limit the extent to which direct competition can occur between public and private providers including differences relating to access to capital and training infrastructure, and to responsibility for delivering community service obligations.

6 Review of training market issues

A plethora of macro and micro level policy issues emerge from a review of the training market literature. Most of the issues raised in the literature tend to revolve around questions concerning the development and implementation of a training market. There is a marked tendency to accept the inevitability of market forms in VET and to ignore the possibility of alternative approaches. As will be discussed in more detail in the next section, the existence of a training market is largely taken for granted and there is relatively little discussion of why market forms have come into being and whether they are the most equitable, effective and efficient way to deliver VET. Although some authors question the desirability of adopting market-based approaches to VET provision, the bulk of the literature concerns itself with the questions of how far market processes should apply to VET, and what might be the most effective ways of developing a training market. In short, much of the literature adopts an instrumental approach to training market issues rather than a reflective and critical perspective.

The complexity and inter-relatedness of many of the issues pose considerable problems of organisation and treatment. Although the issues are treated below as separate and distinct, there is often considerable overlap. The issues identified have been divided into the two major sections of macro and micro policy issues, and the latter section has been subdivided into demand and supply side issues. The section closes with a brief reference to emerging policy issues in the training market.

6.1 Macro policy issues

The macro policy issues discussed below are:

- who should pay for training?;
- the role of government;
- the national dimensions of the training market;
- the balance between national consistency and local flexibility;
- the relationship between the training and labour markets;
- the interface between education and training sectors;
- the balance between competition and cooperation; and
- consumer sovereignty.

Who should pay for training?

Although the question of who should pay for training emerged as a key issue in policy debate prior to the formal inception of the training market concept, it has major implications for the structure of the market and the roles and responsibilities of market participants. Consideration of the issue first occurred in response to concerns about

the need to increase the provision of training at a time when severe limits had been placed on public sector expenditure on education and training. Dawkins (1989) canvassed the need to address the shortfall in government funding relative to demand by generating additional income from non-government sources, particularly industry and enterprises. The initial policy response was to devise the Training Guarantee levy and a range of other initiatives to increase industry investment in training provision and infrastructure.

Debate about the issue intensified as the training implications of award restructuring became more apparent. The Deveson Review (1990), which was established to examine the training costs of award restructuring, concluded that 'any expansion of the system's capacity will require contributions from system users as well as from government' (p.39). In view of the pressing need to increase the quantum of training, the Deveson Review argued that the cost burden should be shared more equitably between the three major beneficiaries: industry/enterprises, government/taxpayer, and individuals. It reasoned that 'to the extent that enterprises want more specific training, it is reasonable that they should meet the cost' (p.35), and that 'governments must play their part in addressing the funding gap. However, with public funds inevitably restricted, charges to individuals have a role to play' (p.50).

In determining the distribution of the cost burden, the Deveson Review invoked the principle of 'user pays' arguing that training should be subsidised by users to the extent that they derive direct benefits in the form of returns on investment. The application of the user pays principle entails consideration of a complex range of issues concerning the relative economic and social costs and benefits of training. The Deveson Committee commissioned a number of consultants to address various aspects of these issues. Powles (1990), who examined the access and equity implications of fees and charges in TAFE, concluded that the establishment of a tuition fee or taxation regime (akin to the Higher Education Contributions Scheme) in TAFE would be 'counter-productive' in that they would create major financial disincentives and barriers to access for a substantial cross-section of the TAFE student population. The paper by Sweet (1990) presents evidence to show that: individual rates of return on TAFE qualifications are relatively low or insignificant; governments in Australia not only meet the bulk of the direct training costs associated with initial vocational preparation but also subsidise employers' wages and wage related costs to little effect; and (contrary to conventional economic accounts) employers attribute greater significance to quality and value than to cost in their training decisions, and appear more willing than is typically assumed to invest in portable and generic skills development.

In view of the social and economic externalities of training, the Review argued that governments should increase their contribution through real funded growth and equity initiatives, and review training subsidies. Although it found that direct industry investment in on and off-the-job training is at least equivalent to the level of government investment in TAFE training, it concluded that efforts should be made to encourage industry to 'contribute more as it expands training effort in-house and through greater expenditure in the industry-funded training market' (p.71). The Review also found that a 'bewildering array' of non-tuition fees and charges for

individual students arose as a response to the longstanding Commonwealth legislative embargo on tuition fees. It proposed that a more 'open, rational and equitable' fee regime should be established through the removal of restrictions on fee charging and the development of an 'equity package' to assist financially disadvantaged students. However, in view of the relatively low private rates of return on TAFE qualifications for graduates and the access and equity implications of fees, it concluded that 'there is no persuasive case for substantial individual contributions to meet the cost of TAFE' (p.68).

Sweet (1993, 1994) argues that the social and economic externalities of initial vocational preparation are significant enough to justify a major public role in funding and that the bulk of public funding should shift to the entry level, as is the case in many OECD countries:

> The community has a strong interest, as do individuals and enterprises, in the widespread acquisition of portable and generic vocational skills and qualifications. After individuals have gained such skills and qualifications the funding of further skill development can be argued to largely be their responsibility and that of enterprises. But prior to that point the community has an obligation to fund vocational education and training. (pp.77-78)

Shreeve (1995) argues that 'allocating public funds to different levels of training is a complex issue' (p.136) due to historical patterns of public subsidisation which tend to favour older established industries over new and emerging ones, and to difficulties entailed in defining and distinguishing between 'initial' and 'post-initial' levels of training. Further, Shreeve (1995) suggests that taken-for-granted distinctions between on and off-the-job training are unlikely to provide a framework for resolving the issue as traditional boundaries are becoming increasingly blurred in the wake of changes in labour market organisation and the delivery of training.

In spite of their implications for the structure and organisation of the training market, issues concerning the relative costs and benefits of training have received little further consideration. Shreeve (1995) argues that attention has been deflected from the critical issue of who pays for training to who should control the VET system.

> It appears that all the stakeholders assume that the public sector will still pay for the vast majority of vocational education and training programs. Notions in the Deveson Report that industry should pay a greater percentage of their training costs appear to have become a secondary issue. (p.135)

Shreeve draws attention to the potential for current market reforms, such as funding enterprise training through competitive tendering programs, to reduce the level of private investment in VET, a trend that would run counter to the original intentions of training market policy.

Further, Shreeve (1995) argues that the undue emphasis on the issue of control 'has meant that the issue of which training should be user pays and which training should be publicly funded has been largely ignored' (p.135). He highlights the anomaly that

private providers are being heavily subsidised by governments to conduct post-initial courses which public providers are simultaneously attempting to commercialise. Shreeve (1995) restates the user pays principle that 'who should pay for training should be linked to whoever benefits from that training' and argues that this entails consideration of complex issues concerning public and private goods and externalities from an economic perspective (p.136). One explanation of the failure to address such issues may be that 'it has proved impossible to calculate the value of these externalities' (Marginson, 1993, p.40).

Yeatman (1994) approaches the question of costs and benefits from a critical perspective. She argues that 'how the costs and benefits of VET are viewed depends on whether this rhetoric is allowed dominant status with respect to our frames of reference, or is contested' (p.116). She suggests that prior to addressing the question of who pays, it is necessary and desirable to examine ways to keep costs within the means of all the various stakeholders. In Yeatman's view, the bureaucratic and centralised nature of the training reform agenda has created an inflexible and unresponsive system of skills formation which has promoted control modes of management rather than facilitation modes. The control-oriented approach has generated high transaction costs and shifted emphasis from quality improvement to quality assurance. In particular, she argues that debate about costs and benefits in VET has overlooked the potential role and contribution of direct VET service deliverers, 'a key stakeholder party who arguably has the best positioning of all stakeholders with regard to a grounded knowledge of how to keep costs within the means of capacities both to pay and to service' (p.125). Management practices associated with a control-oriented model, such as contracting out and competitive tendering, have both militated against cooperative approaches to resource and information sharing and unnecessarily contributed to costs and inefficiency. In place of this prevailing approach, Yeatman suggests that there is a need to redesign the institutional framework for VET management to promote: in-kind service contributions and goodwill from all stakeholders, especially service deliverers; imaginative, low-cost and continually improving service delivery; and low transaction costs of intra-system exchanges of information and communication.

The role of government

Consideration of who should pay for training has in turn led to a consideration of the role of government in a market environment, specifically the extent to which government should bear responsibility for meeting the costs of training and, beyond subsidies, what role it should play in the training market.

ACG (1994a) argues that a major government role in VET provision is warranted on both social and economic grounds. The principal considerations in this regard are the social and economic externalities of training or 'spill-over' effects of training which ensue. According to ACG (1994a), VET has both positive social externalities - which include its role in 'promoting shared values, social cohesion, and the cultural and knowledge base for democratic citizenship', and in contributing to 'equal opportunity through access to education' - and positive economic externalities in its contribution

to national economic development (pp.5-8). However, it argues that as 'the major *social* objectives (VET) serves are equity objectives', direct subsidisation should be limited to entry level training, remedial training to assist the unemployed, and special measures to ensure access to training by disadvantaged groups. Economic considerations, on the other hand, point to 'key government roles in removing or minimising impediments ... to enterprises and individuals engaging optimally in training' (ACG, 1994a, p.12). On this basis, it proposes that government should facilitate the development of the national skills pool and increase training opportunities and rewards for individuals through the provision of the framework and infrastructure for skills recognition and portability.

Beyond the question of the extent to which government is responsible for initial or entry level training, there has been considerable discussion about what its role in post-initial industry training should comprise. Much of this debate has concerned the optimal conditions for market performance, and the role and impact of government subsidisation and other forms of government intervention on levels of industry investment in training. The initial focus for discussion has been the conditions under which employers and employees are prepared to invest in training, a factor crucially influenced by the perceived benefits which they derive from general and specific training. Conventional economic approaches suggest that employees derive greater benefits from general training than do employers, due to their increased employability (and hence labour market mobility). As the principal beneficiaries of such training, it is therefore argued that employees should bear a greater share of the costs in the form of direct contributions (ie. fees), foregone earnings or reduced income and other benefits during the period of training. Conversely, it is argued that employers derive a greater and less risky benefit from specific training in that the skills acquired contribute directly to a firm's productivity and because the problems of staff turnover and poaching typically associated with general training are minimised. As a consequence, it is argued that employers are likely to under-invest in training unless it is firm-specific.

Sloan (1994), for instance, examines the costs and benefits of 'worker training' within a framework of economic investment. Drawing on the 'simple economic theory of training' which distinguishes between general and firm-specific training, Sloan argues that optimal rates of investment will be achieved if the costs of the former are borne by workers (in the form of lower wages etc.) and the costs of the latter are shared by workers and firms:

> The basic proposition that arises from the simple theory of training, and the allocation of the costs, is that optimal private and societal outcomes in terms of investment in training emerge from the decisions of private parties to the transactions - ie. from market forces. In other words, the private and social returns to training are identical. There is, therefore, no case for government intervention to alter the scale or type of expenditure. (cited in Ryan, 1995, p.27)

Sloan acknowledges however that the general and firm-specific elements of worker training are subject to various forms of market failure (eg. staff turnover, poaching)

which produce sub-optimal private and social rates of return. Accordingly, she concedes that government may have a limited role in taking specific remedial action to correct instances of market failure. However, 'it must be borne in mind that government policy can also fail. That is, there is always the possibility that government action may lead to worse outcomes than the outcomes associated with market failure' (p.24). At most, therefore, Sloan supports only highly restricted forms of government intervention. According to Ryan (1995) however, the 'simple theory of training' advanced by Sloan (1994) is based on a set of abstract assumptions about the market for training which ignores the realities and imperfections of existing labour market conditions, uncritically reinforces economic preferences for market solutions and proves itself to be 'of little practical guidance' (pp.27-28).

Fitzgerald (1994) and ACG (1994a) question the assumption behind conventional economic models that firms under-invest in training due to a fear of poaching. First they argue that in the context of an increasingly globalised economy, the competitive position of enterprises is significantly enhanced by the development of a 'deep, diverse and dynamic' pool of skills:

> The view here is that a deep stock of skilled labour may deliver economy-wide benefits over and above the private ones - benefits that spring from the fact that skilled labour - *currently* skilled labour, not merely once in the past educationally qualified labour - is more plentiful and cheaper, in relation to its productivity, to buy. The benefits to firms include greater flexibility to *all* firms in responding to economic change. (Fitzgerald, 1994, p.219)

Both Fitzgerald (1994) and ACG (1994a) maintain that the problem of sub-optimal levels of private investment in training is due not to poaching but rather to 'short-termism' and the failure of individual enterprises to appreciate the implications of under-investment in internal training, or conversely, the economic externalities arising from a deep skill pool from which they can in turn benefit. Hence, they suggest that there is a direct role for government in facilitating the competitive market conditions which stimulate voluntary collective investment by firms.

Fitzgerald (1994) argues that the role of government in industry training is twofold: first, to ensure that the pool of skilled labour is sufficiently broad, deep and mobile (with ready portability of skills) to contribute to economic dynamism and adaptability, thereby benefiting firms collectively; and secondly, to provide assistance in managing collective problems such as the recurrence of general skill shortages which may be immune to, or even exacerbated by, individual decisions taken by firms. Further, he argues that a role for government in facilitating industry training can be justified on the grounds that improving the economic dynamism of national economies, which implies a strong focus on the changing skill requirements of enterprises, is in turn a precondition for maximising the social externalities of VET.

Fitzgerald (1994) notes that while economic dynamism should be the focus of research into externalities, there is presently an inadequate understanding of the process of enterprise-based skill formation, and of the nature and magnitude of benefits which flow from industry training to enterprises. He concludes that a better

understanding of the role and contribution of industry training in a dynamic economic environment is necessary in order to clarify the precise nature and extent of government intervention and how the emerging training market can be developed to optimise economic and social externalities.

A national market?

The geographical boundaries and dimensions of the training market have begun to attract increasing attention in the literature. Until the establishment of ANTA in 1992, the concept of the training market had evolved largely within state and territory boundaries. Significant differences in the policy settings at the level of state and territory governments produced diverse and often inconsistent approaches to training market development (WADOT, 1995). While most commentators define the training market as a 'national' entity, many fail to explain or account for the role and significance of developments at the State/Territory and regional/local levels.

Selby Smith (1995) observes that current trends suggest that training markets are becoming wider and more national in scope, especially as a consequence of the development of curricula materials and delivery modes associated with flexible delivery. She also cites evidence in the fee-for-service sector of the training market of an increased willingness among TAFE institutions to operate outside state boundaries, and of the growing capacity of enterprises and individuals to source their training needs on a national basis. Citing the Hilmer Report (1993) which argues that 'there is increasingly acknowledgement of the reality that Australia is for most significant purposes a single market' (p.14), Selby Smith concludes that a major challenge in the VET sector is 'for governments as funders to operate nationally rather than on a state basis' (1995, p.12).

As the WADOT reports (1995, 1996) demonstrate however, the federal structure of VET administration and consequent inter-state variations in the interpretation and application of national policies on the training market pose significant barriers to nationally consistent implementation. WADOT (1995, 1996) highlights two key issues which require attention in the transition to a national training market. The first concerns the need to remove barriers which hinder or distort inter-state competition between providers including duplication of effort, differences in State policy and the costs and time involved in quality assurance and accreditation. Secondly it highlights the need to examine the implications of increased competition for VET delivery in rural and remote areas where a limited supply of training providers and restricted community access to infrastructure may warrant special treatment. In such cases, Selby Smith (1995) suggests that 'the standard might be that local and regional initiatives should be supported to the extent that they are consistent with the development of an open and competitive national market and do not constitute new forms of restriction to competition on a national basis' (pp.12-13).

One issue entirely overlooked in the literature is the relationship between the development of a national training market in Australia and the emergence of global and regional markets in education and training services. Although the involvement of

Australian training providers in export education has been noted, there has been no systematic identification or consideration of the potential implications of globalisation and regionalism for the domestic training market. For instance, the potential social and economic benefits of export education and training suggest that there may be a need for much closer integration of, and cooperation between, state-based VET systems in Australia. In turn there is a need to address issues relating to skills recognition and portability of qualifications across national borders as Australian-based firms increasingly move their operations off-shore and as the domestic labour force becomes more mobile particularly throughout the Asia Pacific region. The relationships between Australia's international development programs and policies concerning skills formation and human resource management require attention in this context. Conversely, as international competitors in the provision of education and training services make further inroads into Australian markets via new information and communications technology, cross-national barriers to market access and related competition policies must be addressed. Consideration of such issues may suggest that different approaches to the development of a national training market are required if the potential social and economic benefits of globalisation and regionalism are to be realised.

National consistency versus local flexibility

The establishment of a national training market has to date entailed the construction of an extensive administrative infrastructure to support the transition to and operation of a more competitive training market. Foremost among the mechanisms designed to foster the development of a market-based approach to VET are competency-based training (CBT), the Australian Standards Framework (ASF) combined with the Australian Qualifications Framework (AQF), and the National Framework for the Recognition of Training (NFROT). Taken together, CBT, the ASF/AQF, and NFROT respectively provide the currency, exchange rate mechanism and credit exchange system originally envisaged by NBEET (1991) for the market-based production and consumption of VET programs and services. Many of these elements stem from the desire to establish closer linkages between the training and labour markets and to foster the development of skills-based career paths. Both objectives highlight the need for national consistency in skills development and recognition, and for portability of qualifications. These mechanisms are also intended to perform the important role of promoting public goods relating to quality, access and equity and consumer protection (Deveson, 1990; VEETAC, 1991; ACG, 1994a, 1994b).

However, the debate about the development of the training market suggests that the associated administrative infrastructure has been viewed by key stakeholders, particularly industry and enterprises, as being overly prescriptive, bureaucratic, costly and inefficient. In its review of the national training reform agenda, ACG (1994a) reports that 'government regulation of and intervention in the market is constricting rather than fostering its development' (p.35). While ACG (1994a) finds that in principle support exists among enterprises for reforms to the national skills formation system, particularly the promotion of CBT and greater provider responsiveness and flexibility, it also notes widespread dissatisfaction with many aspects of reform

including current approaches to developing competency standards and recognition of training practices, the perceived excessively close intertwining of industrial relations matters with training matters, problems with the assessment of competencies and the responsiveness and flexibility of providers. ACG (1994a) concludes that 'many of the reforms have been developed to attend to supply side and (in effect) consumer protection problems' and that, as a consequence, 'these impediments or disincentives have the potential to inhibit rather than advance increased enterprise commitment to training' (p.37).

At the heart of the debate concerning the development of a training market to date therefore, there has been an inherent (and arguably irreconcilable) tension between the competing objectives of national consistency and local flexibility. On the one hand, government has attempted to establish the conditions for a national training market which has necessarily entailed a high degree of government intervention. Drawing on Pusey (1991), Kell (1995) argues that a central paradox of the training market reforms is that 'strong state intervention is initially required to create the conditions for a deregulatory framework' (p.9). On the other hand, the logic of markets and deregulation inevitably exerts pressure on government to increasingly surrender its power, a tendency which eventually undermines its capacity to intervene in the public interest. Such forces explain the recommendation of ACG (1994a), that government should identify areas in which 'a looser approach to regulation (is) desirable (eg. should the power to recognise and accredit training programs and course be extensively delegated and under what conditions)' (p.48).

Other instances of the conflict between national consistency and local flexibility are evident in relation to CBT and the role of private providers. In relation to CBT, ACG (1994a) reports that:

> The *development and national endorsement of competency standards* is strongly supported but cannot continue in its current form. Enterprises are looking for less prescriptive and less detailed standards frameworks which, while providing national competence benchmarks, leaves considerable discretion to users to interpret them in their own context. Providers are looking for similar flexibility so that modules, courses and training programs can be developed more quickly and cost effectively based on national competency *frameworks* rather than detailed *prescriptions*. (p.43, author's emphasis)

Anderson (1994) finds evidence of a growing convergence between public and private providers in the training market with each adopting characteristics normally associated with the other. He observes that as private providers increasingly operate within government frameworks of market regulation, financing, curriculum and accreditation, there is a corresponding loss of flexibility and responsiveness, two features which have traditionally distinguished them from their public sector counterparts. Anderson (1994) suggests that an unintended consequence of the formation of a national training market may be a reduction in real choice and diversity for the consumer:

> If ... governments intend to pursue the further development of an 'open training market' through a twin strategy of regulating the private sector and deregulating the public sector, care will need to be taken to ensure that the distinctive features and unique qualities of commercial and TAFE colleges are not dissolved in a sea of uniformity and homogeneity. To prevent this will require a sensitive balance between central control and local autonomy and a judicious mix of government regulation and market forces. (p.215)

In a study of private providers in North Queensland, Kell, Balatti and Muspratt (1995) report that the high infrastructure costs associated with government registration, accreditation and competitive tendering has reduced flexibility and created barriers to market entry and participation, particularly for small private providers. They conclude that 'policy frames which assume connections between the emergence of private providers and the implementation of an open training market sponsored by ANTA are clearly flawed' (p.20).

The relationship between the training and labour markets

One of the macro issues which has received attention in the literature, albeit less than might be expected given its centrality, concerns the relationship and balance between educational and labour markets. Until recently, the relationship between the demand for and supply of skills has been to a large extent mediated by government and bureaucratic planning systems (Anderson, 1994; Sweet, 1994).

Many commentators have criticised the former system of public planning for VET provision for being too supply-driven and unresponsive to changing labour market demand (see for example Sweet, 1993, 1994, ACG, 1994a, 1994b). In its place they have argued the need for a more demand-driven approach to resource allocation and program provision shaped by market forces rather than government intervention and pre-existing patterns of delivery. Advocates of a demand-driven system argue that a closer relationship between client and provider, in which the latter responds more directly to the needs of the former, will ensure that training supply corresponds more effectively with training demand. Such views lie behind current proposals to develop a more direct and responsive relationship between clients and providers via 'user choice'.

Critics of market-driven models of resource allocation such as Fooks (1995) argue that achieving a balance between supply and demand is a complex and problematic process which requires consideration of an array of competing demands including national certification and portability, generic and specific skills development, and resource constraints. As a consequence, Fooks (1995) suggests that criticism of public planning models is unwarranted as it is inevitable that public providers will be unable to totally satisfy the competing demands of the various stakeholders:

> It is the case at present that public providers are cast in the role of arbiter in the often uneven contest between what employers want and what individuals want in the way of training - 'uneven' because of the relative strength of large

> enterprises, small enterprises, unions and individuals. In the end, the public provider adopts a compromise solution and so does not meet precisely the needs of any of the parties. And typically, when a provider errs on the side of one or the other, it is the trainee whom they choose to protect by providing content beyond the narrow requirements of the enterprise. So it is not surprising - it is inevitable - that there will be persistent claims that providers are not responsive and not meeting industry needs. (p.7)

Advocates of a market-driven system argue that to date market reforms have been unduly concerned with supply-side considerations such as establishing recognition systems and encouraging competition among public and private providers though competitive tendering. They attribute many of the current problems and potential dysfunctions in market operation to the absence of information about the fluctuating levels of demand from enterprises and individuals for different types of training, and to the distortions and impediments created by unnecessary market intervention and over-regulation by government. ACG (1994a), for instance, argues that the current operation of a market-based system is ineffective partly because 'there is limited knowledge about the supply of training and how well it matches demand' (p.41). This gap in understanding about the relationship between supply and demand is the subject of an ANTA-funded project currently being undertaken by the National Training Markets Research Centre.

The transition to a market-based and demand-driven system raises a series of complex and fundamental issues concerning the relationship and balance between educational supply and labour market demand, and by extension the role of government. As Lundberg (1995) observes:

> The question of the overall balance of persons being trained in particular disciplines relative to market needs is a very important public good. Are institutions simply to respond to demand for training in disciplines as it occurs, irrespective of oversupply? If that is a rational response for institutions, is it a realistic approach for governments responsible for the overall operation of the system? The economic importance for the nation of meeting labour market needs in aggregate outcomes of education and training in the interests of Australia's overall international competitiveness is obvious. (p.7)

The potential for mismatches and imbalances between skills supply and demand under a market-driven regime has several potentially negative consequences. Research by Anderson (1994) highlights the potential for demand-driven systems to skew program profiles towards areas of high demand and low-cost provision. This may in turn lead both to under-investment in training infrastructure and provision for industry sectors where employment growth is slow or in short-term cyclical decline, and to duplication in areas of high demand. As Lundberg (1995) argues, 'despite its appeal in general principle, empowering individuals to choose education and training provision that suits them will not necessarily result in choices being made that adequately meet labour market needs' (p.8). In cases where gaps and duplication occur, 'there is potential wastage of human talent and training resources. From industry's point of

view, under-supply can lead to serious skill shortages in unpopular or emerging occupations, while for graduates, over-supply can significantly devalue their investment in training and reduce their chances of gaining employment' (Anderson, 1994, p.206).

Lundberg (1995) suggests that the problem of achieving an appropriate balance between individual choices and industry needs could be addressed partly through improved information for consumers about labour market demand and graduate destinations. Tendering arrangements (and to a lesser extent vouchers) also allow government a degree of control over rates of provision by subject choice. However, 'as the underwriter of individual choices, governments would have an important regulative impact on global growth, but not on the mix and distribution of growth in provision of educational services' (Lundberg, 1995, p.8). As a consequence, Lundberg concludes that 'some mechanism will be required for balancing the overall mix of provision by all providers, probably by government decisions' (Ibid.). Conversely, Sloan (1994) maintains that unfettered market forces are more likely to achieve optimal levels of production and consumption whereas government intervention has the potential to distort the natural equilibrium of the market.

The interface between education and training sectors

A further set of problems is posed by the tendency to overlook the policy interface between markets for training and for school level education and higher education. Put simply, where does the training market begin and end? Does it include post-compulsory education and training delivered in schools, particularly the many and various combinations of academic and vocational studies under dual recognition programs and the like? How far back into compulsory levels of school education does the training market reach? At the other end, to what extent can the provision of advanced technical and vocational training in universities such as engineering, architecture, accounting, nursing and tourism and hospitality studies be considered part of the training market? As Fisher (1993) observes:

> (A)lthough there are alternate suppliers of secondary education services, and burgeoning competition among Australian universities, both of these sectors operate within markedly different rules and criteria than apply to vocational education, yet the current pressure on Australian TAFE to improve its linkages with both sectors pays no regard to such disparate rules (p.32).

As sectoral boundaries become increasingly blurred in the wake of government reforms, institutional mergers, inter-sectoral competition for local and international students, how and where are the boundaries of the training market to be drawn? Who has ultimate jurisdiction over these different market sectors and which set of rules and regulations apply?

The picture is becoming ever more complex and multi-faceted as course articulation and credit transfer arrangements among schools, TAFE, private providers, ACE providers and universities become more widespread. Competition between TAFE and

universities for the delivery of diploma and advanced technical programs is one example of the developments which make it increasingly difficult to consider the training market in isolation from other education sectors. The rapid growth of industry-education programs and work/study combinations at all levels of education and training create further complexities for policy makers and educational providers, the implications of which are yet to be addressed. Such developments have major implications for the structure, composition and balance of the training market and for the nature of educational programs and services delivered across the total spectrum of the education and training sector.

Competition and cooperation

The introduction of competitive tendering has focused attention on the relationship between competition and cooperation in the training market. Lundberg (1994) argues that 'there tends to be a conflict of policy principles in the training reform agenda between competition and cooperation, although the two are not in inevitable conflict' (p.5). He contends that there has been a failure to define the two principles in the context of the training market and to address the policy issue of how best to promote a desirable balance between cooperative and competitive activity. In particular, he suggests that explicit attention should be paid to the question of what (if any) regulatory policies should be pursued.

Fisher (1993) argues that both competition and cooperation are necessary ingredients for improving vocational education and training and that 'the best contribution from vocational education to national development will require a policy context that facilitates cooperation as much as it promotes competition' (p.30). However, he notes that it remains unclear how existing cooperative practices will be sustained in a competitive market environment and suggests that greater attention must be paid to structuring the training market accordingly.

Available research evidence suggests that the benefits of cooperation between providers may be lost if undue emphasis is placed on market competition. Based on a survey of TAFE and private providers, ACG (1994b) concludes that 'there are clearly certain drawbacks to introducing competition for the training market including the reduction in cooperation between TAFE and private providers, potential adverse impact on quality due to fierce price competition and in particular the risk that both public and private providers will concentrate on low cost, low quality training provision at the expense of slightly higher cost but significantly better quality training' (p.103).

In a comparative study of public and private providers, Anderson (1994) finds that the prevailing climate of competition has resulted in a failure to develop mutually beneficial cross-sectoral resource sharing and credit transfer arrangements, as recommended by the ESFC (Carmichael, 1992). He concludes that 'the potential which exists for achieving greater efficiency and equity in the training system ... appears to lie in facilitating closer cooperation between commercial and TAFE colleges rather than throwing them into open competition against each other' (p.215).

Strategies identified in the study for increasing cross-sectoral cooperation and resource sharing include: improved referral arrangements for unplaced course applicants; sharing of information about areas of unmet demand; joint course provision and credit transfer arrangements; and the negotiation of annual agreements between public and private providers which specify agreed market shares.

Selby Smith (1995) notes the expanding role of private providers in the training market and raises the question of the extent to which policy makers should be concerned with their activities beyond ensuring quality control and consumer protection. As the move towards a more open and competitive training market implies allowing market forces (rather than government regulation) to sort out the players, she suggests that 'the issue then is the extent to which, and how, competition in training markets should be "managed" in the public interest' (p.14).

Sovereign consumers?

One of the foundation principles for the development of a training market is that of consumer sovereignty. Advocates of choice and market competition have argued that the VET system has been subject to 'provider capture' wherein the pattern of provision has been unduly determined (and hence distorted) by the vested interests of powerful lobby groups on the supply side, particularly public sector management, teachers and their unions. Accordingly, ANTA (1994c) argues for a greater emphasis on market competition as a means of empowering clients over providers:

> Competition is ... universally recognised as the most effective way to improve services, contain or reduce costs and focus an organisation's efforts away from its own preoccupations toward those of its customers. (p.7)

A key issue emerging from the literature concerns the extent to which the powers of decision making and resource allocation should be devolved to the consumer. As previously noted, the notion of 'user buys' as conceived by ACG (1994a) was designed to give consumers both control over the choice of provider *and* the power to allocate resources accordingly. Although 'user buys' is similar in many respects to voucher-based approaches to training provision, it places power over training decisions and resources in the hands of both employers and employees. In effect, both employer and employee are defined conjointly as the client under a 'user buys' system. In this important respect, it differs from fully-fledged voucher schemes which place power in the hands of individual consumers. Although 'user choice' represents one step in this direction, it is also a significant dilution of the 'user buys' concept in that government retains effective control of the resource allocation process, albeit in response to client choices (Curtain, 1995). ANTA (1994a) justifies this modification on the grounds that 'user buys' would impose burdensome accountability requirements on enterprises.

A basic problem with the 'user choice' approach, according to Fooks (1995), is that employers (and by default enterprises) gain effective control of training decisions due to the imbalance of power enjoyed by employers and their employees, in this case

apprentices and trainees:

> If, in this new demand-side focussed system, the majority of employers follow their natural instincts then neither the needs of individuals nor the national interest will be served. It is a high risk strategy that could quickly lead us back to narrow job-specific training. (p.6)

Ryan (1995) agrees that one of the major drawbacks of 'user choice' is that 'it blurs identification of the client' (p.46). Further, he argues that 'user choice' is an administratively cumbersome scheme imposed from the centre on State training agencies and enterprises:

> It cannot be supported by economic theory, which would suggest that 'user pays' is required to create a genuine market with allocative efficiencies, nor by empirical research which indicates that enterprises rather than individuals or governments, are the beneficiaries of training who most under-contribute to its provision. (p.46)

As the logic and direction of current reforms suggest that there is likely to be a growing emphasis on the principle of consumer sovereignty, future debate is likely to focus increasingly on issues concerning the relative merits of 'user choice' and genuine market mechanisms of resource allocation such as individual vouchers. In determining how far the principle of consumer sovereignty should apply to VET provision, the key question to be addressed is whose interests should training serve: those of the nation, the enterprise or the individual? To a large degree, the answer hinges on a clearer identification of the social and economic externalities of training, and political decisions about the role and responsibilities of government in the process of national skills formation.

Linked to the issue of consumer sovereignty is the question of consumer rights and responsibilities in the training market. The Education and Student Services Standing Committee (ESSSC) argues that a logical concomitant to 'user pays' is the ethical obligation to ensure that the rights of consumers are clarified and protected. It contends that 'to the extent that students are now obliged to pay for services provided by TAFE, they are equally entitled to expect a minimum level and standard of service provision' (Anderson, 1995c, p.x). Accordingly, the ESSSC recommends that both a charter of consumer rights and a code of provider practice be developed to ensure that the rights and responsibilities of key players in the market are recognised and enacted.

6.2 Micro policy issues

The micro policy issues relating to training market development and implementation are subdivided into supply and demand side issues.

Demand side issues

Demand side issues discussed below are:

- who are the clients?;
- information; and
- access and equity.

Who are the clients?

A source of fundamental disagreement in the literature concerns the question of who should be considered the principal clients in the training market: individuals, industry and/or enterprises. As Ryan (1995) states:

> Of all the issues associated with the training market concept, this has been the most marked by the avoidance of debate and elision of language ... In some sense, it may be said that an enterprise is the 'end-user' of skills gained in VET. To move from this truism to the assertion that an undefined entity referred to as industry, or even some specific enterprise, is the 'customer' in the training market is a considerable leap in logic and ethical values ... Overwhelmingly, the consumer in VET is the individual citizen; yet this most significant of the sector's clients is ignored by government policies purportedly fostering a 'client-focussed culture. (pp.45-6)

The rationale for treating industry and enterprises as the principal clients of the VET system is based on the untested assertion that the needs of industry and individuals are converging (Finn, 1991; Carmichael, 1992; ACG, 1994a). ACG (1994a), for instance, claims that the traditional distinction between generic and specific skills is dissolving and that, as a result, a high level of congruence exists between the needs of individuals for employable skills and the production requirements of industry. As a consequence, 'measures to stimulate and support direct interactions between training providers, in particular TAFE colleges and institutes, on the one hand, and enterprise and individual clients on the other - and generally to research and relate to those on the demand side of the market - will greatly assist in ensuring a high coincidence between meeting the competitive skill needs of Australian enterprises and the aspirations of individual Australians' (ACG, 1994b, p.139).

Such claims about the convergence of industry and individual needs have been strongly contested by several commentators.[4] Fisher (1993), who interprets the national training market in part as 'a message designed to change the relative power and influence of various players', argues that students and trainees are one group of consumers typically overlooked by advocates of training market reform:

> Yet not only are most vocational students mature adults but in recent years the growth in revenue from their fees and charges has swamped the direct contributions made by employers to the costs of public vocational education. Thus if consumer sovereignty were to be measured by purchases in cash and kind, students should have a far greater say in training policy, priorities and practices than they presently enjoy. (p.29)

Fisher (1993) argues that there is a fundamental contradiction between the current command economy approach to training priorities, as reflected in the subjugation of student preferences to industry priorities determined by peak bodies, and genuine market-led approaches to needs-identification. Moreover, Fisher (1993) notes that 'the eminence attached to industry priorities in the training market rarely clarifies who is to speak for industry and how disagreements within "industry" or conflicts of interest are to be handled' (p.29).

Anderson (1995c, 1996a) contends on both financial and ethical grounds that individual students should be viewed as the principal clients. Not only are individual students the major non-government financial contributors in the VET sector, but they are also the primary client or front-line consumer of VET programs and services:

> While providers are to some extent accountable to those who pay for training, their principal responsibility is to ensure that students enrolled in courses are able to participate effectively in the learning process so that they may acquire new skills and competencies. Undue attention to the demands of purchasers, particularly those who are second-removed from the classroom or workshop, may distract providers from addressing the educational needs of students and distort the learning process. (1995c, p.10)

Yeatman (1994) comments on the recurrent tendency in official policy statements to displace a plural conception of 'clients' comprising individuals and industry with a singular focus on 'industry', and to conceive VET from narrow economic perspective as enhancing productivity rather than knowledge. She suggests that there has been a consequent failure to distinguish between the private and collective needs of industry and an over-emphasis on the relationship between VET and paid employment. The effect of this approach has been to commodify VET, to ignore its role in the lives of non-market participants (eg. the unemployed), and to devalue their economic contribution. From this viewpoint, Yeatman (1994) questions the assumptions behind the conflation of individual and industry needs and argues that industry needs cannot be taken to subsume the needs of all legitimate claimants on a VET system. Instead, she proposes a conception of client needs which is pluralistic, flexible and based on a

[4] See for example Fisher, 1993; Yeatman, 1994; Fooks 1995; and Anderson 1995c, 1996a.

recognition of differences in need and situation between the following three categories: formal systems-based individual needs for VET; community-based individual needs for VET; and specific industry and enterprise need for VET.

Information

A widely accepted and frequently stated axiom in the literature is that of free access to information about products, providers and outcomes. As the Deveson Review (1990) notes, 'an effectively functioning training market would allow individual consumers to make informed judgements about the worth of a training activity' (p.9). Unless consumers are aware of the full range of available choices, they are unable to discriminate meaningfully between the relative value of different products and services in relation to price. To the extent that the quantity and quality of information is less than perfect, the capacity of consumers to make informed judgements is limited. Lack of product information in turn distorts market signals and impedes the operation of market forces, thereby reducing the level of market efficiency. As Lundberg (1994) points out, the lack of sufficient information also has implications for the quality of training:

> Quality can only be a focus of consumer choice if the market has access to relevant and credible information, and informed consumers can oblige providers to compete on quality as well as other factors. (p.10)

Research suggests that individual consumers do not yet have adequate access to comprehensive, reliable and impartial information about the range, cost and quality of training opportunities available (Anderson, 1994; Barnett & Wilson, 1994). ACG (1994b) highlights 'the lack of information to support meaningful consumer choice' including the absence of a national register of providers coupled with inconsistent and incomplete state-level information, specifically comparable quality and outcome data (eg. graduation and employment placement). Although it finds evidence to suggest that private consumers 'are obtaining sufficient relevant information ... to exercise choice', ACG (1994b) concludes that 'for individuals (or even enterprises, particularly smaller ones) to exercise choices over the *whole* of the VET sector, considerably more meaningful information needs to be accessible to them (pp.207, 208, author's emphasis). Further compounding the problem are social and cultural factors which limit access to available information for certain disadvantaged groups such as people from non-English speaking backgrounds (Anderson, 1995c,1996a).

Fooks (1995) is sceptical about the chances of creating 'perfect competition' through 'perfect knowledge', but stresses the critical importance of addressing issues relating to informed choice:

> How to arrange comprehensive and timely information, in a form suited to the needs of employers, employees and the unemployed, covering all areas of training, sensitive to firm size and geographic location, who sanitises such information, what it costs and who pays is a fundamental set of questions that need to be answered up front. (p.10)

Acknowledging that 'information gathering and assessment is a costly and time consuming exercise for individuals and enterprises, particularly small business', ACG (1994b) proposes that private sector intermediaries or 'information brokers' be funded to provide information and advice to prospective clients, both individuals and industry (p.209). The role of intermediaries has received considerable attention from other authors (ANTA, 1994b; Curtain, 1995; Sweet, 1993).

Impending moves towards a 'user choice' model of training provision accentuate the need to address issues relating to informed choice in a more systematic and comprehensive manner. Harmsworth identifies four key preconditions for effective decision making under 'user choice':

- availability of accessible information on provider options;
- willingness and capacity for systems to provide information at the point of entry to apprentices and trainees and their employers;
- a developed system of outcome measures covering satisfaction and student destination and performance; and
- understanding by firms of the benefits and outcomes that should accrue if 'user choice' is exercised properly. (p.6)

Commercial realities may however dictate otherwise and militate against genuine choice. As Fooks (1995) observes, 'much of the information needed to make informed choices will be more difficult to obtain in a competitive market situation where providers will wish to regard data as confidential in order to protect their competitive situation' (p.10).

Beyond provision of information, Fisher (1993) emphasises the need for consumer education. He argues that 'we should place far more emphasis on developing the skills and judgement of consumers (students and firms/industries) so that they are more discerning in their choices, and thus more demanding of providers' (p.32). Anderson (1994) argues that 'clear guidelines and standards for advertising and promoting training programs and services which specify basic information-related obligations to clients are required to overcome potential problems of misinformation and misrepresentation' (p.205).

Access and equity

There is widespread agreement in the literature that promoting equitable access to VET is a necessary and desirable goal. Most commentators would concur with ACG (1994b) that 'an important social objective in vocational education and training is the equity of access of disadvantaged groups' (p.115). However, there is fundamental disagreement over the question of whether market-oriented reforms will promote or hinder equitable access and, as a consequence, accommodate or marginalise the needs of women and disadvantaged groups in the VET system.

On the one hand, market advocates like Deveson (1990), ACG (1994b), Selby Smith (1995) and WADOT (1995, 1996) claim that the objectives of market efficiency and equity are not necessarily mutually exclusive. All these authors argue that any barriers to equitable access and other undesirable social consequences of market competition can be ameliorated through targeted government interventions. Nevertheless, ACG (1994b) noted that 'certain industry observers are concerned that access and equity issues cannot be effectively addressed within a competitive market framework - that social objectives are inherently incompatible with economic ones' (p.108). Selby Smith (1995) notes that 'open and competitive processes are not always consistent with the "public interest" objective' and accepts that concerns about the equity and social justice implications of market reforms are 'legitimate' (p.11). According to Selby Smith, the issue is 'whether, and to what extent, governments will fund activities relating to the needs of special groups' (1995, p.11).

On the other hand, market critics suggest that the pursuit of efficiency is inherently inequitable in its social effects. A growing body of research and analysis suggests that market-based approaches to training provision and associated financing mechanisms are likely to have adverse consequences for women and disadvantaged groups. Barnett (1993), for instance, suggests that the user pays principle on which the market is premised discriminates against those who are economically disadvantaged, and that women and disadvantaged groups will be disenfranchised unless government takes explicit steps to counteract the negative effects of the market:

> From an equity perspective, the issue to be addressed is that linking consumer choice to purchasing power (as occurs in a market-oriented system) will severely disadvantage those women (and men) with limited disposable income. Without an accompanying access and equity strategy, consumer choice will be limited to consumers with sufficient resources, who are not impeded by cultural, linguistic, locational or disability factors. Without such intervention, an open training market will mean that participation in vocational education and training will become a privilege rather than a right. (pp.11-12)

The trend towards a more competitive market environment has given rise to two other general concerns about access and equity. The first area of concern is the effect of commercialisation on the accessibility and responsiveness of training providers, particularly TAFE. Lundberg (1994) argues that market competition has a tendency to shift the balance of training activity away from community to commercial provision. As a consequence, training providers 'will be under economic pressure to marginalise any disadvantaged students who cost more to be trained or who require additional capital or recurrent outlays for support' (p.8). Anderson (1994) and Fooks (1995) have both suggested that commercial pressures may force TAFE to vacate the lower end of the market thereby reducing its involvement in the provision of access and labour market programs. ACG (1994b) noted that the pressures of market competition on TAFE providers in disadvantaged regions has the potential to aggravate existing socio-economic inequalities.

The second area of concern is the privatisation tendency inherent in the training market. Fooks (1995) suggests that as a growing proportion of training resources and

infrastructure shifts from public providers into private enterprises and industry training centres, public access to training is likely to be significantly reduced, especially for the unemployed and other disadvantaged groups.

The implications of market competition for access and equity are both complex and far from being fully understood. Research suggests however that the growing reliance on market mechanisms, such as fees, competitive tendering and private providers, is likely to have a negative impact on access and participation for women and disadvantaged groups.

The introduction of the user pays principle and consequent increases in upfront fees for courses in TAFE has given rise to concerns about financial barriers to access and participation (see for example, Powles, 1990; Barnett, 1993, 1994; Powles & Anderson, 1996). Drawing on the advice of Powles (1990), the Deveson Review (1990) acknowledges that equity problems could arise 'if there were substantial across-the-board fees in TAFE without adequate equity arrangements' such as fee concessions and exemptions, targeted student financial assistance (eg. Austudy) and emergency loans schemes (p.49). Available evidence suggests however that such equity measures have not been implemented on a consistent or widespread basis (Anderson, 1995c).

The Employment and Skills Formation Council expressed concerns about the possible implications of competitive tendering when it observed that 'it is not obvious that a tender system would improve the ... equity of training provision' (Carmichael, 1992, p.87). The principal criticism of tendering is that an over-emphasis on price-based competition tends to militate against the provision of the relatively high cost training programs and services required by socially and educationally disadvantaged groups. Fooks (1995), for instance, argues that the effects of competitive financial mechanisms, particularly competitive tendering, will lead to a substantial loss of support services and amenities for disadvantaged groups and the wider community.

Available research, though limited, reaches conflicting conclusions about the potential effects of competitive tendering on access and equity. A report for the Education and Student Services Standing Committee (ESSSC) finds that 'faced with severe budgetary restraint and increasingly vigorous competition from private providers (who generally economise on support services and amenities), many TAFE colleges are redirecting their focus away from community service activities to commercial training for industry and enterprises' (Anderson, 1995c, p.12). Concerns about the potentially negative access and equity implications of competitive tendering led the ESSSC to recommend that the provision of essential support services and amenities be adequately funded and monitored as a core component of program delivery under contract training arrangements such as competitive tendering and 'user choice' (Anderson, 1995c). On the other hand, WADOT (1995, 1996) reports in its review of competitive tendering processes that 'little evidence' was found of adverse effects on access and equity. It also argues that competitive tendering guidelines can be used strategically to focus training activities on meeting the needs of specific target groups.

Given that private providers (unlike TAFE) do not operate under any legislative or policy obligations to address social justice issues, and in many cases are ill-equipped to do so (Anderson, 1994), Barnett (1993) suggests that access and equity requirements should be linked to regulatory and funding arrangements:

> Unless private providers are influenced and supported by government to address equity issues, Australia is likely to develop a vocational education and training system which is two-tiered and segmented - the public provision being oriented to the needs of groups disadvantaged by the open training market and the private provision targeting the non disadvantaged consumer. Such a segmentation would replicate, and exacerbate, the trends which already exist in the current vocational education and training system. (p.48)

Working from the principle that a national training market should incorporate proper protection for communities' social justice objectives, Fisher (1993) argues that 'it would be appropriate to impose comparable obligations on private providers seeking access to public funds' (p.32).

The limitation of 'user choice' pilots to apprenticeship/traineeship arrangements has highlighted the need to take account of differential access to such programs. For instance, as Harmsworth (1995) argues, 'different strategies may need to be pursued ... where there are large communities of Aboriginal and Torres Strait Islander clients not necessarily able to participate (by reason of remoteness) in traditional apprenticeship and traineeship programs' (p.9). ACG (1994b) acknowledges the existence of demand-side equity considerations under 'user choice' arrangements and identifies a need for government to ensure that funding for users is sufficient to ensure equitable access to high quality training programs particularly at the entry level.

Access and equity issues are being addressed as a key part of the national evaluation of 'user choice' pilot projects commissioned by ANTA.

Supply side issues

Supply side issues discussed below are:

- which training should be subject to market forces?;
- what is the product?;
- quality;
- system and provider planning;
- competitive neutrality;
- community service obligations;
- costing and pricing;
- cost shifting and substitution; and
- financial issues.

Which training?

To date competitive funding processes have been applied in a restricted range of market segments, primarily Commonwealth-funded labour market programs and ANTA growth funds, and in a variety of ways by different State training authorities. As a consequence, the development of a training market has occurred in a relatively *ad hoc* and inconsistent manner between market segments and across the different state-based training systems. Ryan (1995) argues therefore that:

> The first problem to be faced in implementing a market system is to choose which training is to be involved, including which is most suitable for an open, commercial market, which for a funding or quasi-market, and which should remain within a public provision model made more responsive by market-like initiatives (p.34).

As already noted, some authors place few limits on the extent to which market processes should apply to VET arguing that it is the most efficient and effective way to achieve optimal economic and social outcomes. ACG (1994b) argues that 'prima facie, there is little question that it is feasible for market processes to operate widely in the VET sector' and that 'the market should operate in the fullest sense, ie. on the demand side as well as the supply side, with the individual client exercising direct market choices in accessing training from suppliers, *wherever the conditions for this to apply can be met*' (pp. 197, 204, author's emphasis). In its examination of competitive tendering processes, WADOT (1995) concludes that:

> **In theory** all publicly funded VET provision could be funded through competitive market processes, although there are further issues which need to be explored and resolved giving grounds for proceeding incrementally towards and increased proportion of VET funding being allocated in this way. (p.I, author's emphasis)

On the basis of national consultations with key stakeholders, WADOT (1995) reports that 'there is an emerging consensus that virtually any type of training identified as training need (eg. full and part time delivery) could be funded through competitive processes', although it acknowledges that relatively high administrative costs associated with competitive tendering tend to make allocations for short courses less viable (p.II).

What is the product?

Fundamental to the efficient and effective operation of markets is a clear understanding of the nature of the 'product'. In the context of literature on the training market however, the product remains ill-defined and open to differing interpretations. In general, most authors assume that the product in the training market is particular courses, or alternatively, a package of programs and services which are exchanged between provider and client within the narrow confines of the training market. The Deveson Review (1990) refers to developing markets for 'training inputs' (eg. skills audits, curriculum products) and 'training outputs' (ie. competencies). To date, however, these embryonic concepts of VET product markets have not been further explored or elaborated.

ACG (1994a) suggests that the current conceptualisation of the product may be limited:

> ... the current approach to the training market assumes that there is a single product market - the delivery of training courses. The extent to which there is a wider market for curriculum or assessment products remains, with some specific exceptions, untested. (p.41)

ACG (1994a) argues that this limited conception of products derives primarily from the current performance monitoring and auditing systems applied in the public sector which are based on the single measure of student enrolments. According to ACG (1994a) 'this focus on inputs acts as a disincentive to public providers in particular to experiment with other products which do not yield an individual enrolment' (p.41).

Selby Smith (1995) highlights the need to understand what products are being exchanged in the training market. She starts from the proposition that training is about skills formation, that skills are a form of property possessed by workers, and that it is skills expressed as specific jobs which employers demand. However, she points out that 'the skills formation process is complex and structured education and training arrangements are but one means of acquiring them' (p.13). As structured training for skills development has a number of close substitutes, such as informal workplace training, she argues that in the move towards a more demand-driven and client-focused training system, 'the issue is the need for regulators to understand these linkages and to scrutinise new regulations for possible limitations to consumers' choice over the wider range of options' (p.13).

Fooks (1995) argues that unless there is some common standard or benchmark for defining the nature of the product, there is a potential for market distortion and outcomes of uneven quality:

> While the product offered by a private provider may appear similar (eg. a course of "x" hours with a particular skill outcome) in reality the TAFE product will be typically quite different because of the amenities provided ... Unless special measures are taken these amenities will be stripped from TAFE systems as an unintended (?) consequence of expanded competition. If they are to be retained they would need to be defined into 'the product' or provision made otherwise in the tendering process... (p.8)

Further, the training product assumes different dimensions and characteristics when it is considered within the wider context of the relationship between the training market and the labour market. Edwards (1992) for instance argues that:

> ... businesses have to work very closely with suppliers if they are to get the final product to the customer on time, at the right standard and the right price. Therefore, if we think of the students as suppliers, the value added by the State Training System is the training and credentials. (p.31)

In this respect, it becomes increasingly unclear whether the product is the package of programs and services delivered by training providers to direct consumers (ie. students) or the 'value added' characteristics which result from participation in these training programs and services (ie. knowledge, skills, competencies and qualifications).

This latter deficiency in the literature highlights a more fundamental problem arising from the failure to develop a satisfactory explanation of the relationship between the training market and the labour market. Specifically, it remains unclear how the supply of VET products, whether defined as programs/services or as knowledges/ skills/ competencies, relates to the needs and demands of participants (and non-participants) in the labour market. In large part this reflects the lack of a coherent explanation of the role which VET credentials perform in terms of both providing access to employment (or unemployment) and contributing to economic productivity. Until this basic relationship is more fully understood, it will remain difficult to determine the extent to which market-based production and consumption of training products are meeting the labour market needs of individuals and the skill requirements of industry and the national economy.

Beyond these complex and as yet unresolved definitional and conceptual issues, Selby Smith (1995) points to a further problem posed by the lack of a clear definition of products in the training market:

> (D)o education and training services exhibit the same characteristics as other private goods and services or do they have public good attributes; and if so how does it affect approaches to efficiency? (p.10)

Much of the policy and research literature has to date assumed a natural correspondence between education and training markets and other traditional commodity markets. The consequence of this tendency is that education and training programs and services are treated unproblematically as economic goods which are amenable to standard market-based modes of production, consumption and exchange. If however, as Selby Smith (1995) suggests, education and training may harbour public good attributes, there is clearly a need to pay greater attention to the nature of the product and the consequent implications for policies designed to promote market-based provision of such goods and services. If this factor is not taken into consideration, there is a risk that the public good attributes of education and training may be sacrificed to private interests. On this account, Marginson (1992, 1993), Kell (1993), Yeatman (1994) and Anderson (1995b) have argued that the commodification of vocational education and training inherent in the training market concept distorts the educational objectives of VET and devalues its wider social and cultural functions.

Quality

Several government-sponsored reports from Deveson (1990) onwards assert that market competition will lead to improvements in the quality of training programs and services. These claims generally rest on assumptions drawn from economic theory concerning the operation and effects of competitive market forces. The Deveson Review (1990) for instance, states that 'when markets work well ... high cost or inefficient training providers will lose out through competition to those trainers providing a better quality or more efficient service' (p.9). Fooks (1995) argues that such claims 'accept without evidence or testing that increased competition will lead simultaneously to cost reductions, quality improvement and increased innovation' (p.2). Lundberg (1994) notes that 'competition may but need not operate to enhance educational quality' (p.9).

Concerns about the impact of market competition on educational quality differ depending on which market sector is in question. In relation to the funding market where competitive tendering predominates, concern has been expressed about the extent to which cost-efficiency has taken precedence over quality outcomes due to the tendency for competitive tenders to be awarded on the basis of price rather than demonstrated quality (Carmichael, 1992; Anderson, 1994). ACG (1994a) observes that although competitive tendering drives the price of provision down, the question of 'whether this is accompanied by maintenance or improvement of quality and how important price is relative to quality in influencing demand is untested (p.41). In a subsequent report, ACG (1994b) reaches the following conclusions on the potential conflict between efficiency and quality in the funding market:

> It is of course probable that market based mechanisms may actually produce lower quality in outputs, particularly in the competitive tendering environment where, in practical effect, price becomes the major consideration ... (H)owever, the result may still be acceptable if cost savings are great enough and there is only moderate compromise on quality. In other words, a benefit/cost judgement needs to be made. (p.201)

Conversely, in its review of competitive tendering for labour market programs, CESAC (1992) concludes that 'a competitive market has the potential to provide quality, cost-effective training which is responsive to the demands of the market' (p.xvi). At the same time however it acknowledges the need for more rigorous tender selection criteria to ensure course quality (eg. training capacity, qualified staff, appropriate curricula, competency assessment strategies, access to facilities, client empathy, post-course support, support services). Similarly, WADOT (1995) reports that in spite of frequently expressed concerns about the impact of competitive tendering on the quality of service provision, 'the experience so far ... provides little suggestion that quality is in any way being undermined by competitive training market processes' (p.22). On the other hand, it acknowledges that 'good comparative data is lacking to enable any real assessment of the impact of those processes on the quality of training' (Ibid.).

In the fee-for-service training market, disagreement exists over the potential for conflict between the profit motive and educational standards. On the one hand, private providers like Martin (1995) argue that a symbiotic relationship exists between the goals of commercialism and quality service provision: 'successfully run private business schools have to conform with the standards of any successful business - can you make a profit and provide excellent quality to satisfy students and employers' (p.183). On the other hand, other commentators argue that for-profit educational providers compromise quality by cutting overheads and economising on inputs such as staff, facilities and support services (Anderson, 1994; Fooks, 1995; Kell, 1995; Ryan, 1995). Anderson (1994) argues however that 'without a better understanding of how commercial considerations influence the outcomes of vocational education and training ... it is impossible to judge whether or not, and if so to what extent, quality suffers' (p.197).

Like ACG (1994b), most proposals for assuring educational quality in a market context entail the establishment and maintenance of external quality control mechanisms such as provider registration and course accreditation. Lundberg (1995) argues that the National Framework for the Recognition of Training (NFROT) performs the vital role of providing consumers with guaranteed minimum levels of quality and recognition of qualifications:

> Indeed, without such arrangements, consumer choice would be ill-informed about essential attributes of what is being bought from whom, which would systematically distort the operations of the market. (p.10)

On this account, WADOT (1995, 1996) reports that a consensus exists among key stakeholders that a precondition for receiving government funding through competitive processes should be government accreditation/registration 'as this provides a guarantee of at least minimum acceptable standards of quality for the training provided' (p.11).

Existing regulatory requirements under NFROT have been criticised for a perceived lack of rigorous enforcement and undue emphasis on educational inputs (eg. qualified staff, facilities) rather than outputs (eg. course completion rates, competency standards) or outcomes (eg. post-course destinations) (Anderson, 1994). ACG (1994b) suggests that insufficient data on outcomes limits the capacity of consumers to make informed choices based on quality and impedes effective competition between providers.

Yeatman (1994) questions the value and efficacy of centralised and formal arrangements for quality regulation such as NFROT arguing that they tend to displace quality improvement with quality assurance. She argues that 'where quality assurance depends on tight, centralised organisational systems of auditing controls, quality improvement depends on the development of loose organisational properties, on cultivating the professional culture and autonomous judgement of those who are managing the interface or organisation/client interaction, the service deliverers' (p.117). In place of NFROT and associated mechanisms for quality assurance, Yeatman argues for a flexible and devolved approach in which service deliverers assume responsibility for continuous quality improvement.

Surprisingly little research has been undertaken on the potential and actual effects of market competition on educational quality. As Lundberg (1994) suggests, 'the public good of quality almost certainly requires much more attention ...' (p.9). The problem stems in large part from the lack of agreed definitions, measures and data relating to quality. In a comparative study of public and private providers, Anderson (1994) argues that existing definitions of quality at work in the training market are unclear and often conflicting. Moreover, 'there is currently no adequate measure of quality which can be applied in a consistent and meaningful way to both public and private providers' (p.195). In this regard, the literature highlights the need to develop appropriate tools for defining, measuring and analysing educational quality across the training market.

System and provider planning

Planning issues relating to the management of market and non-market processes of resource allocation have attracted considerable attention particularly at the level of State training agencies and providers. WADOT (1995, 1996) reports that State training agencies are experiencing considerable difficulties in achieving effective links between competitive market activities and State Training Profiles managed by ANTA. Differences in funding cycles associated with planned and market-driven resource allocation models create problems in achieving consistency in provision over time and across industry sectors and fields of study. Managing competitive tendering processes which are designed to promote increased flexibility and provider diversity is also posing considerable problems, such as synchronising course information and student intakes. In short, 'the very nature of the competitive process adds an element of uncertainty as to whether a particular training program is actually delivered' (WADOT, 1995, p.III).

At the provider level, difficulties arise from the short term nature of contracts and the lack of guaranteed continuity of funding (WADOT, 1995). Such factors may inhibit investment in innovative training programs and expensive infrastructure (staff, facilities and equipment). ACG (1994b) suggests that government should be prepared to tender substantial volumes of training on a cycle which is 'long' and 'deep' enough for competing providers 'to be exposed to losing only a moderate part of their government funded business at a time; and to find it worthwhile to make medium to long term investments in facilities, staff development etc.' (p.211).

Alternatively, WADOT (1995) suggests adopting a 'preferred provider' approach 'in which certain providers are given preference over others based on ability to provide quality outputs and value for money' (p.25). However, as WADOT (1995) points out elsewhere, some stakeholders contend that preferred provider approaches lack transparency and are open to potential abuse.

Fooks (1995) argues that the key planning issue faced by providers in a competitive funding environment is that of stability of income:

> All institutions at present, from schools through to university, plan on the basis of the continuation of core activity from year to year with changes in activity very much at the margin ... To replace this with the vagaries of a market situation can be expected to have a severe effect on public infrastructure in just a few years' (p.11).

He contends that the adverse effects of planning disruption on educational provision would be compounded by the impact of price competition on the quality and amenity of training provision in the public sector. He suggests that similar problems are likely to occur under a 'user choice' system of resource allocation unless funding is guaranteed for the full duration of apprenticeship and traineeship programs. The critical question emerging from the literature therefore is how the competing demands of planned and market-driven models of resource allocation can be managed effectively.

Neutral competition?

Optimal efficiency and effectiveness in the training market presumes the existence of a level playing field on which public and private providers can compete on equal terms. However, the issues entailed in establishing a level playing field, otherwise referred to as 'competitive neutrality', are complex and manifold.

Anderson (1994) identifies a range of factors which public and private providers view as unfair advantages enjoyed by their competitors. Private providers consider that TAFE colleges are advantaged by a capacity for monopoly trading, ease of access to infrastructure (staff, facilities and curriculum), economies of scale, a capacity to cross-subsidise commercial activities from recurrent funds, subsidised tuition fees, government recognition and marketing, and a range of historical factors. Public

providers argue that private providers enjoy greater flexibility and control of resources (particularly human resources), freedom from government interference (eg. restrictions on fee-charging and accountability requirements), more flexible cost structures, non-reciprocal access to accredited curriculum, and freedom from community service obligations.

WADOT (1995, 1996) reports that most State training authorities consider that a truly level playing field is difficult if not impossible to achieve particularly in the absence of comprehensive financial information for public providers. ACG (1994b) argues that although difficult, neutrality can be approximated by addressing the issues of product description, outcome measurement, quality assurance, community service obligations and third party access to common facilities.

Related to the issue of competitive neutrality are other issues concerning structural and regulatory reform which arise from the proposed national competition policy endorsed in principle by Commonwealth, State and Territory governments. Both Selby Smith (1995) and ACG (1994b) highlight the need to:

- ensure greater separation of the regulatory and management functions of government;
- identify 'natural monopoly' elements; and
- remove barriers to market entry and restrictions on competitive conduct.

While recent legislative changes have achieved a formal separation of the regulatory and management roles of government, 'the extent to which service provision has been devolved further to individual TAFE institutions, to manage their resources and determine levels of commercial activity, varies significantly between State and Territories. Perceptions by central agencies of themselves as purchasers of training places rather than funders chiefly of public providers is part of this reform process' (Selby Smith, 1995, pp.18-19).

Selby Smith (1995) also points to the need to examine the scope for 'economies-of-very-large-scale' in the provision of certain VET services such as curriculum. ACG (1994b) argues that the availability of actual and potential number and range of VET suppliers is sufficient to justify the universal application of market mechanisms, except with the possible exception of small catchment areas, mainly in non-metropolitan Australia.

A major focus of concern is the extent to which government regulations create 'unnatural monopolies' and serve to limit the number of providers and the volume of output. In view of the high capital costs and long lead times associated with delivery of certain forms of VET, existing restrictions on access to publicly funded infrastructure, particularly curriculum, facilities and equipment, have been targeted for special attention (ACG, 1994b; Selby Smith, 1995; WADOT, 1995).

The related issue of community service obligations is addressed in more detail in the following section.

Community Service Obligations

In the context of a training market where public providers are increasingly required to compete against private providers for government funds, the issue of Community Service Obligations (CSOs) has risen to prominence[5]. The reasons for their significance are twofold. First, there is an economic imperative to promote competitive neutrality between providers. Secondly there is a social responsibility to protect broad-based industry and community access to VET.

The dilemma which surrounds CSOs is historical. Prior to the introduction of market reforms, it was typically presumed that as the principal recipients of government funding, public providers were responsible for the delivery of VET services to the wider community, and that government would bear the associated financial costs. Private providers were effectively exempted from delivering CSOs as they derived their finances almost exclusively from private sources. Recently however, TAFE colleges have been subject to significant budgetary restraint in the face of rising demand, at the same time as market financing mechanisms such as competitive tendering have given private providers access to public VET funds. Despite the fact that TAFE colleges are required to compete for an increasingly large proportion of their annual revenue, there has been an implicit expectation that they would continue to fulfil CSOs and to meet the additional costs from within their own recurrent budgets. Moreover, no equivalent requirement to deliver CSOs has been placed on private recipients of public funds. In other words while the financial conditions for VET provision have altered dramatically, there has been no corresponding adjustment in public sector funding levels or redistribution of responsibility for meeting CSOs. As ACG (1994b) observes, these circumstances have placed TAFE colleges under considerable pressure:

> Most state training authorities do not either clearly define nor explicitly cost Community Service Obligations ... Most states allocate funding on a historical basis, without an explicit charge against CSOs. Some colleges indicate however that they carry CSOs (due to their small size, metropolitan location or because of demographics requiring high levels of concessions) for which they are not adequately funded. They are therefore, in their view, financially disadvantaged by a funding structure which does not provide all of the services that the government requires ... Similarly, TAFE colleges contend that they are competitively disadvantaged for open tendered government training provision, as there are (implicit) requirements made of them and not of private providers. (ACG, 1994b, p.107)

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[5] ACG (1994b) states that a CSO arises when a government specifically requires a public sector trading enterprise to undertake activities which 'the enterprise would not elect to undertake on a commercial basis; and which the government does not require competitors generally to undertake; or which the enterprise would only undertake commercially at higher prices' (p.107). Although it is typically assumed that CSOs relate to non-economic objectives, this is not always the case. As Ryan (1995) notes, 'frequently these services assist disadvantaged groups, but may occur because of a desire for a geographically fair spread of provision or as an entitlement to small industries and occupations' (p.40).

The conjunction of these pressures not only places public providers at a significant financial and competitive disadvantage in the market *vis a vis* private providers, but also potentially undermines the provision of CSOs. A report for the Education and Student Services Standing Committee finds that:

> ... the community service obligations of publicly funded VET providers ... are increasingly viewed as an economic cost and a drain on resources, rather than a social responsibility. As a result, the provision of student services to disadvantaged students is seen as an unnecessary drag on the capacity of TAFE colleges to compete effectively in the training market. Faced with severe budgetary restraint and increasingly vigorous competition from private providers (who generally economise on support services and amenities), many TAFE colleges are redirecting their focus away from community service activities to commercial training for industry and enterprises. (Anderson, 1995c, p.12)

Selby Smith (1995) argues that in order to undertake structural reform of TAFE in line with National Competition Policy, it is necessary to separate the 'commercial' (ie. tradeable and business aspects of their operations) from those activities associated with CSOs. Unless this is achieved, costs and pricing will lack transparency and TAFE colleges will be forced to compete on an unequal footing with private providers. In addition to economic arguments promoting competitive neutrality between providers, ethical concerns about access and equity implications have also highlighted the question of whether all recipients of public training funds should be responsible for meeting CSOs (Fisher, 1993; Anderson, 1994, 1995c).

Taking account of both the economic and equity considerations, ACG (1994b) argues that 'any CSO should be defined, costed and made an explicit part of competitively tendered contracts (an agreed scale of costs for delivery to different student groups or to different regions could be for example identified in the tendering contract). The costs of any requirement made of TAFE which does not apply to private providers should also be calculated and accounted for - either by making private providers responsible for the CSOs as well or by explicitly compensating TAFE institutions for them' (p.210). However, as Ryan (1995) points out, defining and costing CSOs 'is seldom easy or frequently impossible, where community and potentially commercial services have been intermixed without distinction over perhaps a century' (p.40).

Implementation issues relating to CSOs in the context of the training market are the focus of a national project funded by ANTA and managed by the Office of Training and Further Education, Victoria. Entitled *Achieving community service obligations in the emerging training market*, the purpose of the study is to examine the nature and relevance of CSOs in the training market, and to identify associated policy and resource implications for government. The final report was not available at the time of writing.

Costing and pricing

Issues relating to the costing and pricing of training programs and services in the training market were first raised in the Deveson Review (1990). It argues that there is a need for TAFE to develop better accounting systems and standards to ensure full cost recovery and effective resource allocation, in addition to avoiding the use of public funds to subsidise commercial activities. Financial transparency is regarded as a precondition for a genuinely competitive and open training market.

Lundberg (1994) argues that the issue of pricing must be resolved before genuine competition can occur between public and private providers:

> The issue of computing costs of delivery by course type poses an administrative issue for Australia's TAFE systems and other providers of vocational education and training, because at present data systems are simply not adequate for the requirements of real competition between TAFE and private providers. If TAFE Colleges are to compete effectively in a national training market there would seem to be a case for the collection of appropriate cost data to provide more adequate management information systems. (p.18)

Selby Smith (1995) identifies a need for detailed cost studies of TAFE institutions and of individual TAFE courses and related services. She also argues that 'an understanding of costs is a necessary pre-requisite if institutions are to engage in economically profitable commercial ventures; and for the purposes of achieving competitive neutrality' (p.19).

WADOT (1995, 1996) identifies a range of costing issues in its examination of competitive tendering processes and concludes that the lack of a level playing field can create pricing anomalies which require further investigation. However, little systematic research has been conducted other than by Maglen and Selby Smith (1995) who examine a range of pricing options in NSW TAFE. A further unresolved issue identified by WADOT (1995, 1996) concerns the differential treatment of student fees and charges in competitive training market activities undertaken in both the public and private sectors.

Like Selby Smith (1995) and ACG (1994b), WADOT (1995, 1996) emphasises the need to address issues relating to the treatment of capital costs and private provider access to publicly funded infrastructure, particularly facilities and curriculum. *Public investment and capital charging in TAFE infrastructure*, a National Project funded by ANTA, is examining issues relating to the treatment of capital costs. The final report was not available at the time of writing.

Cost shifting and substitution

Various commentators draw attention to the potential for cost-shifting or substitution to occur in a competitive market context.[6] Cost shifting or substitution occurs when the costs of training normally borne by individuals or industry/enterprises are effectively transferred to the public purse (or *vice versa*). WADOT (1995, 1996) identifies three forms of cost shifting or substitution: when industry/enterprises use government funds to subsidise training activities for which they have traditionally paid; when private providers draw upon public funds through competitive tendering processes to underwrite training activities normally funded by private clients; and when private sector clients defer enrolment until a government-subsidised training place becomes available.

WADOT (1995) reports that cost shifting is viewed by many stakeholders as a serious issue as 'it erodes the capacity for government investment in training to actually increase training participation levels and improve the level of skills acquisition in the labour force' (p.19). However, attempts to prevent cost shifting and to ensure 'additionality' rather than substitution are highly problematic. Government training agencies face significant difficulties in terms of both accessing and assessing relevant information about prior types and levels of training provision in the private sector (Ryan, 1995; WADOT, 1995).

Financial issues

Aside from costing and pricing issues, a range of implementation issues relating to finance are identified in the literature. These include:

- *administration costs* on the supply side, particularly those associated with the management of competitive tendering processes, and *transaction costs* on the demand side, especially those incurred by providers as a consequence of satisfying government regulatory requirements associated with registration, accreditation and tendering;

- the feasibility of *alternative resource allocation models*, specifically funding based on outcomes rather than course delivery, in addition to models which utilise funding intermediaries, vouchers, tax/tuition credits, outsourcing and franchising;

- *provider dependance*, specifically the growing reliance of private providers on government funding and its long term implications for government (ie. increasing costs arising from the subsidisation of private training); and

- *accountability mechanisms* for the allocation and expenditure of public funds by State training agencies and private providers respectively in an environment where both claim commercial confidentiality.

[6] See, for instance, Fooks, 1995; Ryan, 1995; Shreeve, 1995.

6.3 Emerging policy issues

The above catalogue of policy issues concerning the training market reflects the principal areas of discussion in the literature to date. Emerging issues which have been flagged by various authors, but not yet fully explored, include:

- the *staff development implications* of market-driven provision and funding particularly for provider management and teaching staff. The introduction of market approaches to VET provision and funding are imposing new challenges and demands on provider management and teaching staff. In many respects, the prior qualifications and experience of VET staff, particularly those in the public sector, do not appear to have equipped with the necessary knowledge and skills for planning, organising, marketing and delivering VET in a market environment. Mageean (1990) and Hammond (1992) have raised these issues but their full implications are yet to be examined;

- *alternative models and structures for institutional delivery of VET* in a market context. The rapid transition to market-based approaches to the funding and provision of VET has not been accompanied by a comparable review and reorganisation of conventional institutional models and structures for the delivery of VET programs and services. In cases where institutional arrangements have been restructured, the trend has been towards increased centralisation and bureaucratisation of institutional forms. Yeatman (1994) questions whether this trend is appropriate in a context where greater emphasis is being placed on the need for flexibility, responsiveness and cost-effectiveness at the provider level. ACG (1994b) proposes a more flexible 'federal organisation' of VET providers in which a 'minimalist centre ... exists to coordinate, not to control, a set of semi-autonomous institutions which are linked by a strong set of synergies' (p.191);

- the implications of *new educational technology* for market efficiency and access. Selby Smith (1995) notes the emergence of new approaches to VET delivery (eg. distance education modes, increased geographical mobility of staff). Flexible modes of delivery driven by new educational technology have the potential to radically transform the organisation and delivery of VET. As yet however, the role and impact of such developments on efficiency and access in the training market context have not been fully explored; and

- strategies to facilitate *small business participation* in the training market, particularly within the 'user choice' framework. Several analysts highlight the existence of barriers which limit small business access to the training market. ACG (1994a, 1994b), Curtain (1995) and Harmsworth (1995) emphasise the need to develop strategies such as training, funding and information brokerage to facilitate greater participation by small business in 'user choice' schemes.

The training market initiative on which most attention is currently focussed is the development and implementation of 'user choice'. At the time of writing, Joy Selby Smith and Associates had been commissioned by ANTA to undertake a national evaluation of the 'user choice' pilot program in order to identify and address relevant policy issues.

7 Critical evaluation of the literature and research questions

The main purposes of this section are to evaluate the body of literature on the training market from a critical perspective and to identify key issues and questions for further research. The literature is examined from two different perspectives. First, it is viewed from a critical and reflective perspective in order to ascertain whether gaps and deficiencies exist in the prevailing conceptual framework. The critique draws attention to some of the inherent tensions and potential contradictions of market theory as applied to VET, and highlights the need for a more broadly based understanding of, and critical engagement with, the training market concept.

Secondly, the literature is examined on its own terms. The focus is on identifying what research remains to be done within the current conceptual parameters of training market development and implementation. While it is argued that there are strong grounds for questioning the dominant economic orthodoxy in mainstream VET policy and research literature, the relevance and potential contribution of the economics of education to debate about the training market should not be under-estimated.

As the foregoing review of the training market concept and associated issues reveals, most commentators on training market policy analyse current developments within a framework derived from economic rationalism. The tendency to conceptualise and analyse the training market in narrow economic terms is problematic for two reasons. First, there is no convincing empirical evidence to suggest that the application of neo-classical economic theory to education and training necessarily leads to either improvements in VET policy and practice or increased benefits for key stakeholders. The second problem is that the conceptual framework and analytical model of neo-classical economics tend to be uncritically accepted as closed and incontestable truth systems. Apart from some notable exceptions, alternative perspectives tend to be marginalised and conflicting interpretations of market forms and their (non-economic) implications dismissed or ignored. As a consequence, the terms of debate tend to be limited and genuine policy alternatives to market-based reforms are overlooked or discounted.

As a whole, the literature provides a partial and incomplete basis for describing and explaining the nature and development of the training market. In part, this reflects the lack of clarity and consistency in definitions and terminology applied to the topic. Aside from the various threadbare and often inconsistent definitions of the training market, many of the key terms associated with the concept are ill-defined. Few, if any, official reports or commentaries offer definitions of underpinning notions such as efficiency and effectiveness, or distinguish adequately between related processes and trends such as privatisation and commercialisation. Particularly notable in this regard is the widespread confusion and disagreement over the terms 'clients', 'purchasers' and 'consumers', with some commentators defining them as 'individuals and industry', others referring only to 'enterprises', and yet others using substitute terms such as 'end users'.

The lack of definitional clarity is compounded by a high degree of conceptual ambiguity. The structure, dimensions and inter-relationships of the training market have not been adequately conceptualised and examined. The literature fails to provide a comprehensive and convincing explanation of the nature and characteristics of VET products, the relationships between national, state and regional dimensions of the market, or the interface of the training market with the school and university sectors, and with the labour market. Given that one of the principal justifications for creating a training market was to improve linkages between education and work, and in view of the potentially serious economic consequences of a market failure for the national skills base, the lack of a clear framework for understanding the relationship between the training and labour markets represents a major oversight.

In part, this lack of definitional clarity and conceptual rigour reflects a deeper ideological disagreement over who should bear responsibility for financing training and who should be its principal beneficiaries. However, it also highlights the problems involved in applying the concepts and language of neo-classical economics to the provision of education and training. One of the pre-requisites for informed debate and research on the training market therefore is a more explicit and internally consistent set of linguistic and conceptual tools.

One of the major deficiencies in the existing body of literature is the relative dearth of empirical research on the structure, operation and impact of the training market. Relatively few of the references covered in this review are based on any systematic collection and analysis of primary data. Most of the publications which deal with the training market are either statements of official policy, or commentaries and discussions based almost entirely on anecdote or 'informed observation' at best. As the discussion of literature in Chapter 5 reveals, some progress has been made in terms of quantifying and analysing the structure and operation of the training market. As will be discussed in more detail shortly, current knowledge of these important aspects of the training market is far from perfect. Moreover as Hammond (1992) notes, in spite of the emphasis placed on developing a more market-oriented VET system, 'there has been almost no documentation or reflection on its actual impact' (p.123). More recently in its report for ANTA, *Developing the training market*, the Western Australian Department of Training stated that 'the implications of the competitive training market for providers, industry and students are still far from being fully identified and understood' (WADOT, 1995, p.IV).

One consequence of the dearth of primary research data is that much of the training market literature, especially government-sponsored reports, is replete with untested assumptions and claims about the benefits likely to flow from a competitive training market. Assertions are frequently made that a greater reliance on market mechanisms will increase choice, diversity, flexibility, efficiency and effectiveness.[7] Yet rarely, if ever, are any of these statements supported by solid research evidence or grounded in empirical data. In other words, accepting the desirability of market modes of production in VET presently involves a considerable leap of faith. Until more is

[7] See, for example, ACG (1994a), ANTA (1994), Carmichael (1992), and Deveson (1990).

known about the actual scale, dimensions, composition and workings of the training market, it will remain difficult to evaluate the internal effects of market reform, or to refine the policy settings accordingly.

Equally, much criticism of market reforms has been based on speculation rather than substantive evidence. While this tendency may be attributed to the lead times involved in conducting research on the effects of market reforms, which themselves may not become evident until after a considerable passage of time, the review nevertheless highlights the pressing need for such research to commence. Establishing a more comprehensive information base on current developments and their internal effects is also a precondition for identifying the external social and economic consequences, both intended and unintended, of the transition to market based approaches to VET provision.

Another feature of existing literature on the training market is the almost total lack of attention paid to the educational implications of market reforms in VET. Apart from a few exceptions, the literature as a whole has failed to investigate and analyse the actual and potential impact of market mechanisms on program profiles, curriculum, assessment, accreditation and credentialling, teacher's work, learning effectiveness, and student welfare. Although there is a substantial body of literature dealing with Competency-Based Training (CBT), few if any analysts have located CBT and its effects within the wider context of the training market. The conclusions reached by the few authors who have examined and reflected on some of the educational effects of market reform, however preliminary, suggest that the consequences are significant enough to warrant serious investigation and consideration.[8]

This tendency to overlook educational effects is a consequence of the pervasive influence of economic rationalism and corporate managerialism on VET policy and practice. The widespread preoccupation of policy makers with the economic dimensions of market reform has diverted attention from its educational aspects. Economic efficiency has taken precedence over educational effectiveness. Research and analysis has been driven by an implicit economic assumption that once the framework of the market has been constructed, market forces will ensure that the production and distribution of educational programs and services occur in optimal ways and that the educational needs of consumers will thereby be satisfied. The problem with this approach is that it fails to recognise that the pursuit of efficiency and the construction of markets are likely to have significant ramifications for educational and other non-economic goals.

The training market is both a product and a process of centralised and bureaucratic institutional redesign with its theoretical foundations in new management theory. As noted earlier, a defining characteristic of corporate managerialism is the centralised nature of policy determination coupled with devolved responsibility for service provision. Under this model of management, the delivery of educational programs and services is no longer the concern of policy makers and system managers. Providers assume these responsibilities within a performance management framework which,

[8] See, for example, Anderson, 1994; Hammond, 1992; Kell, Balatti & Muspratt, 1995; Yeatman, 1994.

following an economic model of production, focuses on inputs and outputs rather than educational processes. Attention has been devoted almost exclusively to developing and refining the managerial and financial infrastructure of the market rather than to investigating and improving the conditions for teaching and learning.

A further consequence of the widespread preoccupation with economic frameworks is that the training market has been almost entirely decontextualised. There is a marked tendency for consideration of market reforms in VET to occur in a historical, political, and socio-cultural vacuum. Unlike many other OECD countries, Australia has traditionally funded, provided and regulated VET almost exclusively through the public sector. Industry and the wider community have become accustomed to a particular institutional configuration and approach to VET in Australia which has in turn been shaped by a unique set of social and cultural structures and forces. Teachers, students and the community at large have come to accept the notion that the provision of VET is subsidised through the public purse, rationed according to need and merit, and subject to relatively high levels of government regulation in the interests of quality, access and equity. An historical consensus has existed among employers and unions that vocational education is a public good funded primarily by the tax-payer, and administered by the state in the interests of long-term social and economic development. The development of a deregulated and market-based approach to VET provision challenges and runs counter to many of these widely accepted practices and ingrained attitudes.

Few commentators explicitly acknowledge the reality that markets are social constructions and, as such, are subject to a range of complex non-economic forces. Most of the literature is cast within a conceptual framework which assumes that market participants will act in economically rational and self-interested ways. As a consequence, the significance of longstanding social traditions and deeply embedded community values and predispositions towards VET is discounted or overlooked altogether. By relying on narrow explanations derived from neo-classical economics and overlooking the influence of non-economic factors on participants' choices and decisions concerning VET, most authors fail to take account of the social limits of market reform. They tend to under-estimate or overlook the ways in which the perceptions, actions and decisions of market participants influence the conditions under which the market operates, and in turn the extent to which the original objectives of market reform are achieved or subverted.

Instances of market failure reveal ways in which the behaviour and actions of market participants are frequently unpredictable and potentially counterproductive. However, rather than view such unintended outcomes as manifestations of the problematic nature of economic models when applied to social reality, the mainstream policy and research literature tends to treat them simplistically as 'implementation issues'. In the absence of a more sophisticated understanding of the internal contradictions of economic rationalism and the tensions between market theory and practice, the application of the training market concept to VET provision will remain highly problematic.

Failure to fully recognise complex and deeply rooted historical, political and socio-cultural factors, and to account for the role and influence of market participants, limits the extent to which training market reforms are likely to achieve their stated objectives. Moreover it may lead to a situation in which artificial and inappropriate market constructions are imposed on VET and its accompanying social and cultural traditions with potentially damaging consequences. Unless these factors are understood, it is possible that economic improvement of the scale envisaged will not eventuate, and that market reform will work against the wider non-economic interests of individuals and the community as a whole, including industry.

Given that the construction of a training market represents such a dramatic departure from past practice, and in view of its potential social, cultural and economic implications, it is essential that debate be informed by critical perspectives and theoretical positions which challenge the prevailing economic rationalist orthodoxy. As with all orthodoxies, particularly those which are totalising in their effects, there is a risk that policy makers and researchers will be 'caught by the discourse' and fail to anticipate and investigate fundamental problems and unintended consequences arising from current policy and practice.

As the review of training market issues shows, a number of authors have adopted critical and reflective approaches to the analysis of the training market. Their work has begun to reveal some of the problems, contradictions and potential consequences of market reform in VET. However, the insights and implications of this work appears to date to have been largely ignored in the mainstream policy and research literature. The marginalisation of views and perspectives which criticise or diverge from official discourse will do little to improve the quality of debate about the training market and alternative policy options.

A strong case exists, therefore, for further research and analysis which employs alternative conceptual frameworks and adopts new lines of inquiry other than those which replicate and reinforce current policy rhetoric and directions. Such research should be designed not only to provide critical insights into the shortcomings and potentially negative consequences of such policies and practices, but also to generate alternative policy options and approaches which signal a constructive and viable way forward.

Criticism of the dominant orthodoxy of economic rationalism should not be mistaken for a dismissal of the role and contribution of the economics of education. Rather it is a call for a more broadly based conception and analysis of the training market which recognises the problematic status of claims that: economics in general, and human capital theory in particular, provides a comprehensive account of VET; economic analysis alone is sufficient to measure the effects of market reform; and markets alone are the most efficient and effective way of organising and delivering VET programs and services. Provided that its limits are recognised and alternative frameworks are not excluded, economic theories and methodologies have a valuable contribution to make to the further development and evaluation of market-oriented policy in VET. Clearly, economics must play a central role in investigating the critical relationship between training and productivity in industry/enterprises, and in evaluating the

internal costs and benefits of market-based training. Analyses from a cross-disciplinary perspective (including economics) have the potential to yield important new insights at both the macro and micro level of policy formation and evaluation.

Beyond these criticisms and recommendations for further research, the review of existing literature suggests a number of key areas in which fundamental research and analysis should occur. Arguably the two most important areas requiring further examination concern the social and economic externalities of VET and rates of return from VET as the resolution of many fundamental policy issues hinge on a clearer understanding of the costs and benefits of VET. In particular, questions concerning the role of government in VET and the relative distribution of costs among stakeholders cannot be adequately addressed without a better understanding of who benefits from training and to what extent. ACG (1994b), Lundberg (1994) and Ryan (1995), for instance, have all emphasised the need to take account of the social and economic externalities of VET when determining future policy directions. However, while most authors concede that there are significant external benefits flowing from VET, there is less agreement over the precise nature, magnitude and relative significance of the social and economic externalities.

Research on the social externalities of VET should concentrate on evaluating the impact of markets modes of financing and delivery on access and equity. In particular, there is a need to identify barriers to access and participation in the training market for women and disadvantaged groups, and to determine what forms of government intervention are required to minimise any adverse social effects. Research on economic externalities should concentrate on examining the links between training, productivity and earnings so that the benefits enjoyed by individuals, industry/enterprises and the national economy can be determined more accurately than is presently the case. Research on the relationship between the training and labour markets must also be undertaken to determine how VET contributes to the 'common skill pool', and whether demand-driven models of VET provision meet the changing needs of individuals, industry/enterprises and the national economy.

Research on the social and economic externalities of VET should take account of the need to develop a satisfactory taxonomy of different client types. Yeatman (1994) has proposed one alternative approach to defining client needs in the context of a training market, but further research is required on the matter. The twin categories of industry/enterprises and individuals are currently taken for granted and much of the policy literature assumes that the needs of both client groups are converging - a claim which, as has been noted, is disputed by several analysts. Further conceptualisation of, and research on, client needs along these lines is required in order to develop a better understanding of the social and economic externalities of VET, and of the relationship between social needs and economic demands.

Few attempts have been made to document and examine the actual structure, composition, functions and relationships of the training market. As the review of training market issues reveals, the concept of the training market remains ill-defined and under-developed. For instance, the few embryonic concepts of the training market(s) originally proposed in the Deveson Review (1990) have not been

sufficiently explored or elaborated. As a result, most authors continue to use the less complex, but conceptually inadequate, notion of a single, undifferentiated training market.

While this tendency may reflect the complexity and novelty of markets in education and training, it may equally reflect the problems inherent in any attempt to equate education and training with standard commodity markets. The challenge for researchers and analysts who accept the dominant economic paradigm therefore is to develop and expand the concept of a market for VET products beyond its original form and existing limits. This suggests that research must focus on identifying the functional characteristics and dimensions of the training market. Unless and until such attempts are made (and succeed in providing a comprehensive, coherent and meaningful set of definitions and concepts), the efficacy of adopting economic interpretations of, and approaches to, VET provision will remain problematic and open to question and criticism.

Further questions concerning the structure, composition and relationships of the training market need to be addressed. The frequently drawn distinction between 'initial' and 'post-initial' training and the boundaries and inter-relationship between two dimensions of training require clarification. Other distinctions which appear in the literature are those between generic and specific skills/competencies, and between on and off-the-job training. Although such distinctions may provide a basis for defining and analysing the internal dimensions and boundaries of the training market, further research and analysis is required before their potential relevance and utility is clearly established.

As the review of training market literature reveals, the structure of the training market remains unclear. Various commentators define the training market as a 'national' entity but fail to explain or account for the role and significance of developments at the State/Territory and regional/local levels. This is a major oversight given that the concept of the training market has evolved in a largely *ad hoc* and inconsistent manner within the context of a complex federal structure of political relations (within which there is considerable regional and local variation). Although the reports by WADOT (1995, 1996) shed considerable light on existing policies and practices in the funding market at a state and territory level, the funding market constitutes only one of three identified market sectors, and competitive tendering comprises only one of many market-like financial mechanisms currently in operation. The precise nature and implications of the patchwork of existing state-based approaches to the training market development and management therefore require closer examination and evaluation.

In order to develop a comprehensive understanding of the training market and its boundaries and dimensions, parallel research is required on relationships among the full range of markets for education and training in Australia, specifically in relation to school and university education. In addition to an examination of cross-sectoral links, the relationships between the development of national and international markets for education and training, and the nature of their interface with the labour market should be investigated. Without a complete map of all dimensions of market and non-market-

based production and consumption of education and training, it will remain difficult to develop a strategic vision for the development of a national training market in Australia.

In terms of improving market operation and performance, the critical research questions concern the determinants of, and relationships between, supply and demand in the training market. First, a more complete profile of the supply side of the market is required. Although there has been a significant increase in research on private or non-TAFE providers in recent times, much work remains to be done on mapping and analysing this aspect of training supply (Anderson, 1995a). The actual size and composition of the private VET sector is yet to be adequately determined particularly with respect to industry and enterprise-based providers. Further information is also required on adult and community education providers. To a large extent this problem stems from the lack of comprehensive and comparable data on TAFE and non-TAFE providers, particularly student and staff numbers, finance and program delivery. A related problem is that much of the available data concentrates on formal off-the-job training provision at the expense of formal and informal on-the-job training. As a consequence, a significant dimension of training supply tends to be overlooked in the literature on the training market.[9]

Secondly, insufficient attention has been paid to the demand side of the training market. Little is known about the nature and level of individual and industry/enterprise demand for training, or about the factors which shape demand. As suggested by the work of ACG (1994a), Fitzgerald (1994) and Sloan (1994), a better understanding is required of the determinants of training at an enterprise level. At the time of writing, a national ANTA-funded report entitled *Enterprise training: the factors that affect demand* by a team from Charles Sturt University was due for publication. Similar research is required on the factors which shape individual student demand for training. Until the nature and level of demand for training is better understood, it will remain difficult to evaluate whether the training market is producing optimal social and economic outcomes.
Even less is known about the preparedness or capacity of various clients to pay for such training. As the training market moves increasingly towards a user pays method of financing, an understanding of this key determinant of training demand will become increasingly important.

More research is also required on the conditions which affect market performance on both the supply and demand sides of the training market. Given that the maximisation of client choice in the training market relies heavily on the existence of a diverse array of training providers and products, it is essential that the conditions for promoting and sustaining choice, flexibility and diversity are better understood. Research on the supply side of the market should therefore examine the factors which influence the type and level of training provision in each of the various provider groups. The planning implications of market-driven resource allocation for system and provider

[9] Although the Australian Committee on Vocational Education and Training Statistics (ACVETS) is attempting to improve the database on VET provision, there remain significant problems with respect to the cross-sectoral consistency and comparability of collected information, many of which have been identified in Burke *et al* (1995).

management deserve close attention to ensure that resources are allocated and utilised in an efficient and effective manner.

As competition among providers is claimed to be the key determinant of efficient and effective performance, there is a need to examine barriers to market entry and competitive neutrality between providers, and to identify strategies for dealing with related issues such as Community Service Obligations, access to capital and training infrastructure, and a range of costing and pricing issues. There is an equally strong economic justification for examining the scope for improving cooperation among public and private providers. The relative costs and benefits of increased competition should therefore be investigated and compared to those which flow from enhanced cooperation. Such an evaluation should aim to identify current examples of provider competition and cooperation, and to assess their comparative advantages in terms of efficiency and effectiveness so that an optimal mix and balance can be achieved.

On the demand side, there is a need to identify more effective ways of empowering consumers. Research should focus on concepts of consumer sovereignty in the training market, the necessary conditions for maximising client choice, and the relative effectiveness of different resource allocation methods such as 'user choice' and voucher schemes. The information-related requirements of consumers require investigation so that strategies for ensuring informed choice can be developed. In all such research, the ethical obligations of providers to clients should be taken into account, particularly the need for adequate consumer protection and dispute resolution mechanisms.

In conclusion, there is a need first to develop a more coherent and consistent conceptual framework and set of linguistic tools for describing and analysing the training market. Secondly, more research is required on the social and economic externalities of VET and private rates of return from participation in VET. Thirdly, there is a need for a more comprehensive and detailed study of the structure, operation and performance of the training market with particular emphasis on how the training market as a whole relates to and interacts with other markets in education, training and employment, and on the determinants of, and relationship between, supply and demand. Finally, the impact of the training market reforms to date and their implications for key stakeholders require documentation and evaluation.

If future research on the training market is to avoid the problem of enclosure, however, it will need to recognise the limitations of the dominant economic paradigm within which most mainstream policy and research literature has been cast, question the assumptions on which the training market model is based, and critically analyse the effects of associated reforms, including their intended and unintended consequences. To this end, such research will need to draw upon a variety of conceptual and methodological approaches from the fields of economics, politics, history and sociology, be informed by a range of critical perspectives, and generate insights into alternative policy frames and directions.

8 List of annotated titles by author/s

The following section lists all annotated titles by author contained in this report. References accompanied by asterisks indicate that shorter versions are available in other publications. The location of these shorter versions is given at the end of the relevant annotation.

Allen Consulting Group, ACG (1994a) *Successful Reform. Competitive Skills for Australians and Australian Enterprises*, Australian National Training Authority, Brisbane.

Allen Consulting Group, ACG (1994b) *Establishing an effective Australian training market*, Office of Training and Further Education, Melbourne.

Anderson, D. (1994) *Blurring the boundaries: TAFE and commercial colleges in the open training market*, National Centre for Vocational Education Research, Adelaide.*

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9 Annotated bibliography

The following section contains an annotated bibliography of titles, in alphabetical order by author.

Allen Consulting Group, ACG (1994a) ***Successful Reform. Competitive Skills for Australians and Australian Enterprises, Australian National Training Authority*****, Brisbane.**

The purpose of this report commissioned by the Australian National Training Authority (ANTA) was to evaluate the implementation of training reform in training providers and workplaces, with particular focus on the delivery, assessment and recognition of training. The consultants, the Allen Consulting Group (ACG) were required to identify problems with and barriers to implementation, and to recommend strategies for more effective implementation of the reform program. One of the policy areas identified for review was the development of 'a more diverse and competitive training market'.

In its analysis of the core objectives of the training reform agenda, ACG argues that the development of a 'vigorous and responsive training market' is a precondition for successful reform, and 'a key intermediate objective of reform in its own right' (p.14). According to ACG, steps towards the training market objective include: the introduction of open tendering by the Commonwealth Government for labour market programs and English as a Second Language (ESL) training; the allocation of Commonwealth growth funds by some States and Territories on a competitive basis; increased registration of private providers; access to publicly developed courses and materials for private and industry providers in some States and Territories and through the Australian Committee on Training Curriculum (ACTRAC); and access to publicly recognised credentials for non-TAFE training.

ACG argues that the development of local, regional and spatially dispersed niche training markets, linking in to a national training market, 'has the potential to empower clients to make choices, to respond quickly to rapid change in labour market requirements and to promote competition which leads to a more direct and efficient relationship between resources and results' (p.40). However, in ACG's estimation, current conceptualisation of the training market is too limited and many of the necessary elements are absent. Among the shortcomings of existing arrangements are: the gap between expectations of a greater range and choice of training products and services, on the one hand, and existing levels of demand by enterprises and individuals, on the other; limited knowledge about the supply of training and how well it matches demand; lack of access on the part of small and middle sized enterprises; the mixed and inconsistent nature of government rules and regulations under which the market operates; and insufficient information for consumers about training products and distinctions between them in terms of price, quality and service (pp.40-1).

ACG argues that, so far, reforms have been almost exclusively confined to promoting competition among training providers for certain publicly funded training activities. It suggests that, although increasing competition between providers has the effect of decreasing the price of public provision, the impact on quality maintenance and improvement, and the importance of price relative to quality in influencing demand are yet to be tested. The report

also argues that, in view of its role and contribution to the development of a training market, the impacts of training under labour market programs must be considered as VET and labour market training programs need to connect and form part of the overall market. (p.42)

Related to the limited conceptualisation and partial implementation of a training market is the undue concentration of the reform agenda on supply-side issues to the detriment of demand-side considerations. A major issue identified is the fundamental absence of information (and communication mechanisms) relating to current and future demand for training from enterprises and individuals. ACG suggests that efforts to address demand-side issues to date have been overly centralist and aggregate in their approach and, as a result, have not contributed to the development of a more direct and market-responsive relationship between providers and clients. (pp.38-9)

ACG argues that 'the national training reforms should be refocussed on the demand side (and) conceived as developing a training market centred on *direct* client relationships between training providers, on the one hand, and enterprises and individuals, on the other' (p.54). In turn, ACG proposes that these reforms be linked into industry, regional, state and national training markets in which skills held by individuals are recognised and portable. In adopting this demand-side focus, the training market reforms would give higher priority to enterprise skill needs and emphasise the importance of delivery. Moreover, ACG argues that a stronger focus on demand-side reform would clarify the regulatory and other roles of government, and 'shift the balance from provider and regulator driven to client driven'. (p.55) The role of government, as defined by ACG, includes: the operation of *structures ensuring recognisability and portability* of skills; the roles of *public funding for training* in promoting community objectives and the development of the training market; and the *overall coordination and management* of the national training system and reforms.

The policy reform proposed by ACG is the development of a 'user-buys' approach to training provision. 'User buys' promotes a more direct and market-responsive relationship between providers and clients 'by putting into the hands of enterprises and their employees *jointly* the direction to a particular provider of the government funding for the off-the-job component of structured on-the-job/ off-the-job entry level training' (p.55). By directing funds to clients (rather than providers) and allowing them to purchase accredited training from any registered provider (public or private), 'user buys' would effectively shift the balance of power in the training market from the supply to the demand side.

Initially, ACG proposes that 'user buys' be confined to training conducted under contracts of training (ie apprenticeships and ATS/CST traineeships) or similar formal employer/ employee arrangements (eg AVCTs). The focus on employment-linked training is justified on the grounds that employers have a clear obligation to train, and there is an obvious coincidence between the interests of the enterprise and the individual. The report suggests that administrative and financial complexities (eg. extreme variation in course costs and length, and inadequate cost information) are likely to preclude the introduction of a more universal system of individual vouchers in the foreseeable future. (pp.57, 138)

ACG argues that 'user buys' produces the following significant benefits: training providers (including TAFE) would become more responsive to the enterprise-related skill requirements of employer and employee clients; higher levels of enterprise-based provision would be fostered; market signals would inform all related training (including labour market programs) transferring benefits to other clients not directly involved in 'user buys'; and enterprises would be encouraged to raise the profile of training in their business planning and operations. (p.57)

Other issues discussed are the jurisdictional, regional and programmatic boundaries of 'user buys', the potential for 'bulk buying' in certain instances (eg. Youth Training Initiative), and the role of intermediaries such as group training schemes. (p.58) Finally, the report suggests that implementation of 'user buys' should be accompanied by improvements in training delivery, particularly to small and middle business. To this end, ACG proposes that the general principles of microeconomic reform and competition policy should be explicitly pursued in TAFE and the wider VET sector, in conjunction with the move to 'user buys'. (p.82)

Allen Consulting Group, ACG (1994b) ***Establishing an Effective Australian Training Market. Final Report to the Office of Training and Further Education*****, Melbourne, OTFE.**

The aim of this study was to provide the vocational education and training (VET) sector with an analysis of the nature, structure and role of the Australian 'training market' as a basis for strategic and effective decision making by relevant government agencies. The report is divided broadly into two parts. *Dimensions and operation of the training market*, the first part, deals with the concept, size and profile of the training market and its players, and examines the competitive structure, conduct and performance of the market. The second part, *Models and issues for an effective training market*, examines the introduction of market-based reforms in both the wider public sector and overseas markets for VET. In addition, it analyses the role of government in the VET market, and outlines a framework for determining the appropriate scope for market processes in the Australian VET sector.

This study stems in part from the findings and recommendations of the ACG Report to ANTA, *Successful Reform. Competitive Skills for Australians and Australian Enterprises*, (1994a). It draws upon and builds on prior research on the emerging training market, particularly Anderson (1994), and utilises Australian Bureau of Statistics (ABS) statistics, and data collected via literature searches, a survey of fourteen private providers and seven TAFE colleges, and national consultations with government and industry bodies.

ACG defines the training market, or more broadly the VET market, as 'that part of the education and training system which provides individuals with the skills and learning expressly required by enterprises and industry' (p.2). It estimates the total size of the market to be between $6.5 billion and $8.6 billion. The training market is analysed in some detail with respect to: *providers*, such as TAFE, commercial, other non-TAFE institutions and enterprise training arms; *purchasers*, who provide the funds for the training market and include State and Commonwealth governments, enterprises and individuals; and *products*, skills which are recognised in qualifications or gained in unrecognised enterprise or other courses and which contribute to the common skill pool for Australian industry. (pp.3-8, 11-45)

The study segments the training market by funding mode and field of study. Within the former, the study identifies three principal market sectors: *direct government funding of institutions, primarily TAFE*; in which the explicit role of market processes is small, although some market-like processes are used and implicit competition occurs; *the funding market*, or market for government training funds which are open to competitive tendering rather than channelled directly to institutions (eg. DEET labour market programs and ANTA/State government funding programs); and the *open or commercial training market*, in which the ultimate users of training directly purchase training 'products' from providers. ACG observed that: the degree to which TAFE competes directly with private providers varies by State, depending on respective commercial strategies; competition is largely confined to a handful of fields within the commercial market; and TAFE remains the dominant provider in most segments. (pp.47-78)

With respect to the conduct and performance of the training market, ACG found that it is only the open or commercial market which acts as a market in the fullest sense. (p.79) Although some competitive pressures exist in the sector involving direct government funding of institutions, 'the planning and budgeting processes ... produce what can be best regarded as heavily managed quasi-market pressures' (p.79). The study argued that a shortcoming of

these funding processes is that 'there is little direct input from the end user of training ... despite the attempts to draw in industry input' (p.79). Another shortcoming is the lack of 'meaningful product descriptors and outcome measures' which ACG suggests would need to be developed before genuine 'user buys' or 'user choice' could be further extended. (p.79) Several market distortions or barriers to entry were identified including: lack of access in some States to curriculum developed with public funds or conversely to privately developed curriculum; slow and bureaucratic accreditation and registration procedures; a tendency for accreditation authorities to use TAFE curriculum as a benchmark leading to a proliferation of TAFE 'product clones' rather than greater product diversity; and lastly, poor articulation to higher education institutions. Other problems identified by the study included the lack of information in the training market about industry's skill needs, the failure to achieve the social objective of equal access, and the absence of a clear definition of, or explicit funding for, community service obligations (CSOs). (pp.79-119)

On the basis of a review of case study and other literature on market-based reforms in the wider public sector, ACG concludes that 'simply separating purchaser from provider and introducing competitive tendering may be capable of delivering significant efficiencies, but it does not necessarily assure the delivery of the best value for money - either for the ultimate consumer or for government where it is the purchaser' (p.121). ACG argues that experience with market based reform in other areas of the public sector suggests that 'there will be circumstances in which it is a legitimate role for government to purchase services such as training on behalf of the ultimate users, rather than allowing them to do so' (p.121). However, with proper information, 'the intermediary role of government should in many areas be able to be limited to an advisory one ...' (p.121).

In its examination of the operation of overseas training markets in the UK, the US, Sweden and New Zealand, ACG found that: various mechanisms based on market principles are being used to achieve greater efficiencies (eg. competitive tendering, vouchers, and profile funding); wide-ranging performance criteria which address, among other goals, access and equity, are a common feature of arm's length contractual arrangements in the UK and New Zealand; provision of extensive information is an essential accompaniment to the adoption of market-oriented mechanisms; market-based incentives may not be sufficient in themselves to change behaviour; a regulatory framework which is widely accepted by all stakeholders is an essential element of market-based systems of resource allocation to ensure that consistent signals are sent to all participants in the system, especially in relation to product quality; government must guarantee the value of the new 'currency' of the training market, represented by competency standards and assessment procedures; the use of market mechanisms needs to be supported by well developed quality processes to ensure that efficiency is not gained at the expense of effectiveness; and the private management of public monies also involves a continuing role for government to monitor expenditure and to maintain accountability to Parliament. (pp.151-79)

The study distils a set of principles which should apply to the role of government in the VET market: the public policy basis for the government role in VET should encompass both equity and economic foundations, together with wider social considerations; government has a major role in supporting entry level training, to the level of a first post-school qualification, and a responsibility to promote access to training by disadvantaged groups and the unemployed; an economic (externality) justification exists for government to support skills training generally in Australian industry, to foster the development of the common skill pool on which all enterprises, particularly small and middle sized enterprises, rely; government's main role is not in determining outcomes but in setting the framework and rules for the market to work (which entails maintaining the 'social currency' of a public qualifications

framework assisting the wide portability of skills, correcting market failures, particularly in the productions and dissemination of information, and ensuring consumer protection); government's role as regulator should reflect the broader Hilmer policy principles (ie. having promotion of competition as a central aim); government should in general specify and fund explicitly (and centrally) all significant CSOs; as a major provider, government needs to separate its purchaser role from its provider roles and review the structure and organisation of the publicly funded VET provider systems (mainly TAFE); government has a central role in promoting quality assurance systems and a quality culture; government has key roles in managing change, most importantly in ensuring flexibility in employment arrangements at the level of the individual institution; other roles include assisting in acquisition of market skills and in external marketing. ACG proposes the development of a 'federal' organisational model, which combines local autonomy with the scale and other benefits of coordination and collaboration, as a way to balance competition and cooperation in a market environment. (pp.181-96)

The study concludes by addressing the question: what is the appropriate scope in the VET sector for extending the role of market processes through reforms on both the supply and demand side? Issues of feasibility, balance of social benefit and cost in relation to where boundaries are set, and implementation and transitional issues are identified. ACG argues that, 'prima facie, there is little question that it is feasible for market processes to operate widely in the VET sector', given that large numbers of actual and potential suppliers exist, and many enterprise and individual clients are currently exercising market choices themselves. (p.197) According to ACG, 'the question is not whether but how far market processes should operate both on the supply side ... and the demand side ... '. (p.199)

ACG's preferred policy option is 'user buys' or 'user choice', focussing on employer-sponsored contractual training (p.204). It points out, however, that the complexities of extending market processes to the demand side exceed those of doing so on the supply side (through competitive tendering). Complexities identified include externalities, the need to protect a range of community values, measurement problems, difficulties in establishing neutral competition, and structural issues (primarily in TAFE systems), all of which, it argues, should be broadly approached in a benefit/ cost framework (pp.200-1). ACG nominates competitive tendering as the 'second best' option in circumstances where the conditions for 'user buys' cannot be met. Finally, 'in-house' public sector provision should occur where the introduction of market mechanisms cannot be justified on practical, social or economic grounds. (p.205-6)

The study examines the conditions required for effective operation of market mechanisms including: whether enough actual or potential competitors exist; whether clients have access to sufficient information to exercise informed choice; whether appropriate systems exist to generate and disseminate information; whether private sector intermediaries have a role; what level of government support is required in view of demand-side equity considerations; whether demand-side transactions costs decrease efficiency; whether neutral competition can be established in the funding market; how to define, cost and account for CSOs; how to deal with cost structures (eg. substitution, contractor dependence); how to ensure optimal utilisation of infrastructure and maintain appropriate signals and incentives to invest; accrual accounting and tax issues; the appropriate type of competitive unit in the public sector; restructuring 'investment' activities; appropriate contracting cycles; codes of conduct and quality assurance; and transaction costs of the market. The balance of such considerations, argues ACG, should determine the ultimate domains and limits of market processes in the VET sector. The study concludes that 'the substantial further extension of market processes, particularly on the demand side, will yield major net national benefits' (pp.206-215).

Anderson, D. (1994) *Blurring the boundaries: TAFE and commercial colleges in the open training market*, National Centre for Vocational Education Research, Adelaide.*

This report arises from a comparative study of TAFE and commercial (for-profit) providers of post-school vocational education and training (VET) in the context of the emerging training market in Australia. The primary aim of the study was to examine the changing nature, role and significance of public and private VET providers in response to the development of a market-based approach to VET provision.

The report reviews research and policy literature on private providers and the training market, examines the growth of private provision in a historical and contemporary policy context; and traces the formation of the 'open training market' in Australia. The size and extent of the private VET sector in Australia is examined on the basis of information collected via two national surveys of State training recognition authorities.

A comparative analysis of the structure, culture and educational functions of private and public providers is undertaken on the basis of several in-depth case studies of commercial and TAFE colleges. The report examines: the distinctive characteristics of private and public providers; the relative positions of public and private providers in the training market; client perceptions of training providers; factors affecting the growth and development of public and private providers; and current trends in the training market.

On the supply side of the market, the study found that: the public TAFE sector dominates the largest segments of the market (eg. school leavers); private providers operate on the periphery filling niche markets and satisfying unmet demand in the TAFE sector; and competition is more likely to occur among commercial providers, rather than with TAFE. The study found that direct competition between public and private providers is largely confined to DEET labour market programs, fee-for-service short courses, and international student programs. The report identifies three main market sectors: the regulated or closed market sector (primarily TAFE recurrent programs); the partially regulated or quasi-market sector (Commonwealth labour market programs, traineeships); and the fully deregulated or open market sector (fee-for-service, industry training contracts). The study found that, although limited in scale, inter-sectoral competition for clients and resources was intensifying in response to external factors, particularly the introduction of competitive tendering for public training resources. (pp.153-158)

Barriers to effective implementation of the training market concept are identified from public and private provider perspectives, in particular factors which limit inter-sectoral competition and cooperation. Strategies proposed by providers to create a more level playing field are identified. Issues and problems relating to the role of government in market regulation are discussed, particularly with respect to provider registration and course accreditation. (pp.181-195)

Key policy issues relating to the development of the open training market are identified including: the absence of adequate cross-sectoral quality measures with respect to course delivery and outcomes; the lack of appropriate strategies to promote access and equity; imperfections in market information available to clients; and tensions between broad social and economic planning objectives and market-responsiveness. On the basis of the research, various consequences (intended and unintended) of adopting a market-driven approach to VET provision are examined from provider and client perspectives.

The report concludes that the impact of training market reforms is blurring sectoral boundaries and transforming traditional notions of 'public' and 'private' provision. It argues that, although the development of the open training market has been a relatively successful strategy for reconstructing the national VET system, there is no guarantee that all the original policy objectives will be achieved. The report concludes that further research on the implications of developing a market-based approach to VET provision is required. It suggests that, in the light of the research findings, it may be preferable to retain a dual sector training system comprising high quality public and private providers, rather than replacing it with a training market comprising loose networks of autonomous training enterprises working in the private, rather than the public, interest.

* The executive summary of this report is reproduced under the title of 'Blurring the boundaries' in *The Australian TAFE Teacher*, Vol.29, No.2, Second Quarter, June 1995, pp.49-56.

Anderson, D. (1995a) 'Private training provision in Australia: An overview of recent research', in Ferrier, F. & Selby Smith, C. (eds.) *The Economics of Education and Training 1995*, Australian Government Publishing Service, Canberra, pp. 1-14.

This paper provides an overview of recent research on the long neglected phenomenon of post-school vocational education and training in the private sector, a significant dimension of the supply side of the training market. It traces the rise to prominence of private providers in the national training reform agenda, and links their emergence to the creation of an 'open training market'. It examines the lacuna of research and statistical information about private providers in Australia, and in OECD countries generally.

Definitional and terminological problems relating to private VET provision are discussed, and a taxonomy of private providers, based on the National Framework for the Recognition of Training, is presented. The size, extent and composition of the private training sector in Australia is examined in the light of existing information, and research findings on the key characteristics of private providers are discussed.

The diversity, complexity and rapid growth of the private training sector in Australia are highlighted. The paper argues that further data collection and research on private providers is required to enable governments to develop comprehensive VET policies, to coordinate skills formation on a national basis, and to improve the balance of participation and distribution of scarce resources between sectors. The paper concludes that, if greater flexibility and diversity of provision is to be fostered in the context of a training market, governments need to develop policies which reflect the rapid diversification of post-school provision and the internal heterogeneity of the private training sector.

Anderson, D. (1995b) ***For profit or not for profit? The national training reform agenda and its implications for post-compulsory education and training*****, in 'Selling Our Future? Private sector involvement in public education', Selected proceedings of a Public Sector Research Centre/ Australian Education Union Seminar, Melbourne, pp.20-36.**

This paper examines the rise of economic rationalism and neo-liberal market theory in public policy on education and training, and its impact on post-compulsory education and training. The paper focuses on the development of the national training reform agenda (NTRA), traces the emergence of the training market concept, evaluates the effects of recent market-oriented reforms on the TAFE sector, and discusses the wider implications for post-compulsory education and training.

The paper argues that the penetration of public education policy, and in particular the NTRA, by economic rationalism and neo-liberal market theory have induced a fundamental shift in the educational paradigm in Australia. The paper argues that the displacement of social and educational goals by economic objectives, combined with the imposition of corporate managerialism, have transformed the character of TAFE with adverse consequences for its educational mission and traditionally disadvantaged clientele. The construction of the training market, its ideological effects, and the practical consequences of associated policy reforms, particularly competitive tendering, are examined in some detail from a critical perspective. The paper argues that the training market reforms have underwritten private sector growth, and that market-based resource allocation (specifically competitive tendering) have facilitated a progressive transfer of public VET funds from TAFE to private providers. The concept and potential consequences of 'user choice' for public VET provision are discussed.

The paper argues that, although the training market concept has to date been confined to post-school VET provision, the logic of market drift in public education policy and the impetus for administrative rationalism, suggest that the same organising principles are likely to be extended to all sectors of post-compulsory education and training, including senior secondary schools and universities. The paper examines some of the possible implications of such a development, and identifies the challenges facing public educators.

Anderson, D (1995c) ***Are you being served? Client perspectives on student services and amenities in TAFE*****, Education and Student Services Standing Committee, Melbourne.**

Commissioned by the Education and Student Services Standing Committee (ESSSC) of the National TAFE Chief Executives' Committee (NTCC), this report examines the provision of student services and amenities in TAFE from a client perspective. Based on a review of literature, a national survey of TAFE students and focus group discussions with selected groups, the report identifies the relative importance and effectiveness of support services and amenities from a student perspective, major problems experienced by users, features of high quality and effective services, and student opinions on key issues relating to the provision of support services and amenities.

The report found that in 1994 individual students (local and international) in TAFE numbered around $1.7 million nationally and contributed close to $150 million in tuition fees to TAFE. As such, the report argued that individual students are the most significant consumers of TAFE programs and services in numeric and financial terms. The report argued not only that high quality and effective student services and amenities are a necessary concomitant to program provision, but also that TAFE colleges have an ethical responsibility to satisfy the needs and preferences of their principal fee-paying clients in a user pays environment.

Overall, the report found that the needs and preferences of students with respect to service provision were not being effectively met in many areas. The report found that over one in five TAFE students, and almost one in three students with special needs, may have dropped out of their courses if not for the support of student services. Of particular concern was the finding that, although 81.9 per cent of students considered employment services to be essential or fairly important, 38.5 per cent reported that such services were provided either poorly or not at all. Services which attracted both a relatively higher priority and a lower satisfaction rating from special needs groups were learning support services, disability services and child care services.

The report argued that in spite of TAFE's good reputation for providing high quality and accessible support services and amenities, its market image had declined in recent times. The review of recent literature suggested that the level and quality of service provision in TAFE had deteriorated as a consequence of budgetary restraint and market-based competition with low cost private providers. The report suggested that, unless greater emphasis was placed on quality and a 'customer first' approach to service provision, TAFE's market share may decline, students would be placed at greater risk of withdrawal, resource wastage would increase as a result, and TAFE's capacity to meet its community service obligations would suffer.

The report also concluded that 'in the transition to contract training, whether in the form of competitive tendering or 'user choice' approaches to resource allocation, it is imperative that the provision of essential support services and amenities be adequately funded and monitored as a core component of program delivery. Such a step would ensure that the playing field is more level for providers and clients alike' (p. x).

Anderson, D. (1996a) 'Refocussing TAFE: students first, clients second', *Education Australia*, Issue 34, pp.14-17.

This paper critically examines the definition of 'clients' and the concept of 'consumer sovereignty' underlying policy rhetoric concerning the training market. The paper briefly describes the emergence of the market paradigm in the national training reform agenda, and the emphasis placed in official policy rhetoric on developing a 'client-focussed' VET system. The paper questions the primacy attached to meeting the skill needs of industry and enterprises, rather than those of individual students, and argues that such an approach cannot be justified in the light of the significant financial contribution made by individual students to TAFE revenue.

The paper examines the nature and inherent contradictions of the new orthodoxy of client choice and consumer sovereignty in the reform agenda. It argues that students have been effectively excluded from the policy formation process, and active notions of student participation have been replaced by passive notions of consumer choice. The paper suggests that industry and enterprises have been the principal beneficiaries of training reform, whereas students, particularly those from disadvantaged backgrounds, have suffered adverse consequences in terms of access and equity.

The paper concludes by arguing that students should be accorded at least equal status to industry and enterprise clients, and that meeting the needs of students as active learners rather than as passive consumers, particularly those who are socially and economically disadvantaged, should be restored as the central concern of TAFE providers and systems.

Anderson, D (1996b) 'The training market reforms and their impact on the vocational education and training system', in C.Selby Smith & F.Ferrier (eds.) *The Economic Impact of Vocational Education and Training*, AGPS, Canberra.

This paper examines changes in the structure, size, composition and balance of the VET system in Australia in the wake of the training market reforms. The paper examines the sectoral structure of VET in Australia in historical context, traces the introduction of market reforms, and assesses their impact on the VET system.

The paper first outlines the threefold typology of mass, parallel and peripheral private sectors in education developed by a US analyst of higher education, Roger Geiger. The preconditions for the transition from a peripheral to a parallel private sector are identified as follows: equalisation in the legal, regulatory and fiscal status of public and private institutions.

The paper argues that up until the end of the 1980s, a dual system of post-school VET existed in Australia comprising a mass public TAFE sector and a peripheral private sector. The most striking features of this system were: an almost complete separation of public and private providers in terms of access to public funding, curriculum and accreditation; the almost total dominance of the mass public TAFE sector, and the virtual invisibility of the peripheral private sector. From an economic perspective, the TAFE system enjoyed an effective monopoly of government funding, was subject to high levels of government regulation, and operated largely under non-market conditions. Private providers survived on non-government finances, were relatively unconstrained by government regulation and operated under genuine free market conditions.

On the basis of an examination of the training market reforms introduced by Commonwealth, state and territory governments since the late 1980s, the paper argues that the preconditions for a peripheral-to-parallel transition in the status of the private training sector have been largely satisfied. As a consequence, the former dual structure of a mass public and peripheral private sector has been replaced by a tri-sectoral arrangement comprising a mass public TAFE sector, a new partially regulated private sector and an unregulated private sector. In the light of available data, the paper compares the dimensions of these three sectors in terms of size, composition and balance.

The paper concludes that by reconstructing the legal, regulatory and financial basis of the VET system, the training market reforms have created the conditions for private sector growth, and are facilitating a rapid transition from a peripheral to a parallel private training sector within the context of a unified national VET system. The paper closes with a brief examination of possible future directions and implications.

Australian National Training Authority, ANTA (1993) ***Priorities for 1994: Advice of the Board of the Australian National Training Authority*****, ANTA, Brisbane.**

This statement issued by the newly formed Australian National Training Authority (ANTA) indicated that its first priority for 1994 was to 'build a client-focused culture'. The statement explained that 'the objective of this priority is to develop a more client responsive National Vocational Education and Training System by establishing a competitive training market; better information on client needs and attitudes ensuring the system is industry driven; developing appropriate quality measures; strengthening management practices; and ensuring high quality staff training and development' (p.18). In terms of fostering a more market-driven approach, therefore, this statement placed emphasis on initiatives at the system, rather than provider, level.

Australian National Training Authority, ANTA (1994a) ***Proposals for more effective implementation of training reform*****, ANTA, Brisbane.**

Issued in response to the report by the Allen Consulting Group (ACG), *Successful Reform. Competitive Skills for Australians and Australian Enterprises* (1994a), this statement outlined proposals for more effective implementation of training reforms, including the training market concept. In place of the 'user buys' approach recommended by ACG (1994a), ANTA proposed the development of a 'user choice' model. ANTA proposed that: 'users of training, that is, enterprises or group training companies on behalf of enterprises, be able to choose the provider of the off-the-job training for apprentices and trainees; the choice to be made in consultation with employers. Under this arrangement, funding is paid directly to the provider that the enterprise and its employees have chosen' (p.17).

The essential difference between 'user buys' and 'user choice' is that the former proposal entailed directing resources to employers for subsequent allocation to providers, whereas in the latter approach, resources are allocated by a central authority to providers in response to preferences expressed by clients (employers/ employees). The reason given by ANTA for this modification is that clients may still exercise effective choice of provider without actually handling public funds, and that 'to do so may involve the business in unnecessary contractual and audit requirements' (p.31).

Other proposals for training market reform contained in the statement include: an expansion of State/ Territory initiatives in relation to tendering of public funds between public and private providers, and public providers themselves (p.17); strategies to improve the implementation of the National Framework for the Recognition of Training (NFROT), including facilitating course customisation, marketing NFROT and delegating authority to accredit (pp.7-8); increasing flexibility and coordination of curriculum and standards development, and creating a 'level playing field' for TAFE and registered private providers to access national curriculum (pp.9-10); streamlining course accreditation for private and enterprise providers (p.11); developing closer links between competency levels and qualifications (p.14); improving the quality and accessibility of information on training reforms (p.18); and accelerating the introduction of more competitive funding arrangements, a client focus, 'best practice' and quality principles in the provision of services (p.19).

Australian National Training Authority, ANTA (1994b) *User Choice: Discussion Paper*, Office of Training and Further Education, Melbourne.

This paper, prepared for the Australian National Training Authority (ANTA), outlines the background to the 'user choice' policy option, discusses principals and proposals for implementing the approach on a pilot basis, identifies outcomes of and parameters for the pilot projects; and proposes a series of steps for implementation. The paper defines the objective of the pilot 'user choice' projects as being 'to test and develop principles and conditions which will enhance the efficiency and effectiveness of publicly funded vocational education and training through increasing the capacity of employers and employees covered by contracts of training ... to exercise choice and influence provision. (p.1)

The paper describes and analyses the differences between the ACG 'user buys' proposal (1994a) and the subsequent ANTA variant, 'user choice'. Five principals and associated proposals for implementation of the ANTA 'user choice' pilot projects are identified as follows: enhancing links and client focussed arrangements between providers, employers and employees/ students at the local level; increasing competition between providers and, in situations where conditions for market competition are sub-optimal, enhancing the influence of clients over course content and delivery; improving the quantity and quality of information available for clients to exercise meaningful choice (eg. provider and course options, outcome measures); enhancing the role of firms (employers and employees) in decision making; ensuring broad coverage of all firm types through the use of intermediaries, such as group training schemes, where necessary (eg. for small and medium sized firms).

The paper identifies the need for the pilot projects to take account of differences between states with respect to both the administration of their respective VET systems, and the existence of regional 'training markets'. It also underlines the need to establish a monitoring and evaluation process, an important aspect of which would be 'an examination of the relationship between "user choice" and efficient use of existing resources'. (p.10) Among the issues cited for consideration are: inter-state policy differences; level of contestability; influences of economies of scale on delivery; and the extent to which capital infrastructure may limit choices to a small number of providers.

Australian National Training Authority, ANTA (1994c) ***Towards a Skilled Australia. A National Strategy for Vocational Education and Training*****, ANTA, Brisbane.**

This national strategy outlines the intended direction of VET in Australia, as agreed by Commonwealth, State and Territory Governments. It aims 'to ensure that future VET is: more flexible, to accommodate the needs of industry as the principal client; more devolved, so that decisions are taken by those most closely attuned to the needs of clients; more competitive, to encourage the quest for superior performance; and more informed, so that all parties are aware of the directions and detail of change' (Foreword).

The strategy identifies a number of measures designed to improve responsiveness and to enhance client choice between the full range of providers - public, private and industry. In particular, this entails opening up the training market by giving further impetus to mechanisms that increase competition. The Strategy states that competition is 'universally recognised as the most effective way to improve services, contain or reduce costs and focus an organisation's efforts away from its own preoccupations toward those of its customers' (p.7).

To this end, ANTA proposes: expanding competitive tendering arrangements; introducing 'user choice' pilots; removing barriers to industry and private providers, specifically by facilitating and supporting registration; expanding flexible training; increasing enterprise involvement in Industry Training Advisory Bodies; facilitating, not regulating, competency standards; devolving standards endorsement and validation to enterprises; and facilitating enterprise streams for standards development. (pp.7-10)

Barnett, K. (1993) ***Swings and roundabouts. The open training market and women's participation in TAFE. A discussion paper*****, National Centre for Vocational Education Research, Adelaide.**

This discussion paper examines the likely impact of an open training market on women's participation in TAFE. The first section identifies the origins and key features of an open training market, as well as central components of the Training Reform Agenda. The second section of the paper gives an overview of women's current participation in TAFE in terms of patterns of participation and barriers to participation. The final section draws conclusions about the likely effects of an open training market on women's participation by relating current participative features to the components of an open training market.

In its examination of the factors leading to the development of an open training market in Australia, the paper traces the evolution of the training reform agenda and highlights the growing emphasis in official policy statements on efficiency and effectiveness, and the need to increase private/ industry investment in vocational education and training (VET). The open training market is defined as 'the provision of vocational education services on the basis of open competition between and among public and private providers' (p.10).

For the purposes of analysing the nature and extent of market processes in VET, the author represents purely public and private training supply systems as opposing ends of a *continuum*. At one end, public (non-market) provision is characterised by a monopoly on supply and accompanied by a high degree of regulation, allowing consumers minimal choice. By contrast, purely private (open market) provision is characterised by a competition-based supply mode, with negligible regulation and maximisation of consumer choice. According to the author, the current training system is located *towards* (but not at the extreme of) the non-market end of the continuum. Although the development of an open training market 'involves moving the system *towards* the "open market" end of the spectrum', the author argues that it is unlikely to reach this extreme point, given the need for quality control and a substantial degree of regulation.

The paper examines existing patterns of women's participation in TAFE with respect to entry-level training, course type, and course level. Barriers to the participation of women are discussed including the gender construction of skill, income support, childcare, timetabling, ratios of women to men, fees and charges, counselling and support services, information, location, TAFE 'culture', the college environment, and lack of confidence. The author reaches the conclusion that women face a number of barriers which hinder their participation and, relative to men, their participation is characterised by a number of inequities. Both issues, argues the author, need to be addressed to ensure that existing inequities are not further entrenched in the move to a more open training market. (pp.13-40)

In its discussion of the implications of a more competitive training market for women's participation in TAFE, the paper discusses the role and impact of competitive tendering, competency-based training, award restructuring, flexible delivery, and recognition of prior learning. The author draws upon Anderson's study (1994) to highlight the unequal commitment to (and obligations of) public and private providers to promote access and equity, and the consequent need for government intervention to ensure that inequitable patterns of participation are not perpetuated or exacerbated in the training market. The paper concludes that 'an open training market, unless accompanied by equity-oriented interventions, will not address the needs of disadvantaged consumers' (p.48).

Barnett, K. (1994) ***Some can, some can't: The impact of fees and charges on disadvantaged groups in TAFE. Discussion paper*****, National Centre for Vocational Education Research, Adelaide.**

This paper reviews available literature and data on the impact of fees and charges in TAFE on disadvantaged groups. The author argues that fees and charges are one of a complex range of factors which influence the participation of disadvantaged groups in TAFE and cannot, therefore, be treated in isolation. Moreover, the impact of fees and charges differs between groups (eg. by mode of attendance, age, gender, stream of study) and according to the method of payment. Although available evidence points to adverse effects of fees and charges on the participation of various disadvantaged groups, the paper indicates that additional research and data collection is required. In conclusion, the author argues that 'effort should be focused on modifying the method of fees payment and on ensuring that groups at the margin of defined disadvantages are not excluded from vocational education opportunities because of their inability to meet tuition and associated costs' (p.19).

Barnett, K. & Wilson, S. (1994) ***Challenges and choices: A study of four providers of adult community education*****, National Centre for Vocational Education Research, Adelaide.**

This report is based on four case studies of adult and community education (ACE) providers, which it classifies as one of two main groups of non-TAFE providers - the other being commercial (for-profit) providers. The report observes that these two groups operate in essentially different ways with different objectives driving the delivery of training programs.

The report argues that, although the training reform agenda encourages competition among providers, it is likely that cooperation will remain a significant feature of provider relationships. Community providers were found to compete with commercial providers for the delivery of DEET labour market training programs, whereas their relationship with TAFE is essentially one of cooperation. The report argues that there is scope for greater cooperation between community providers and TAFE, particularly in relation to course development.

The report found that the role of adult and community education providers is changing significantly, largely in response to changing patterns of demand. This demand was traced to two main sources: pressures for education in all sectors to reflect the needs of industry, and the demand by individual consumers for a range of educational opportunities spanning a continuum from personal enrichment to vocational programs. The report argued that the adult and community education sector is playing an increasingly significant role in supplying vocationally-oriented courses when once its major focus was general education programs.

Bloch, C. (1995) 'Efficiency', Paper presented at *Towards a Skilled Australia. National Vocational Education & Training Conference*, Conference Proceedings, February, Australian National Training Authority, pp.143-151.

This paper, delivered by the Director, NSW Board of Vocational Education and Training, Carolyn Bloch, addresses the issue of efficiency in relation to the training market. The author defines 'efficiency', examines various planning systems, discusses aspects of achieving best practice, and identifies strategies for reforming the training market.

The author defines an efficient market as 'one where an equilibrium is realised between purchasers and providers' which would be achieved in the training market 'through the appropriate matching of training provided to the skill needs of industry and students, achieved through optimal input of training resources' (p.143). The author notes that 'efficiency must be coupled with effectiveness in order to achieve quality outcomes' (p.143). The key to achievement of these goals lies in developing planning systems which: collect and disseminate information about supply and demand to industries and providers; and take account of labour market needs and projections about future industry and employment demand.

The author argues that performance indicators are an integral part of all planning activity, although they do not necessarily reflect all aspects of system performance including: responsiveness to industry; increases in flexibility; improved curricular relevance; quality improvement and 'best practice'; and increased diversity. Moreover, inconsistency between the definitions and cost components employed by different States and Territories poses problems for measuring the efficiency of VET on a national basis. Problems relating to the introduction of the national Management Information and Statistics System (NATMISS) are discussed and the need for strategies to address the widening scope of the VET system (schools, universities, private providers) is identified.

The author argues that 'an efficient training market should also mean an equitable training market and a high quality training market' (p.147). The NSW TAFE strategy to improve access and equity for people currently under-represented in VET and the labour market is described, and the need to evaluate effectiveness is highlighted.

Strategies for improving efficiency in the training market are identified, including: developing a communications strategy to improve the collection and dissemination of market information; and increasing competitiveness through mechanisms such as 'user choice'. The author lists four questions relating to 'user choice' which require further attention: what level of user choice is to be available for apprenticeship and traineeship programs; how will user choice work across the range of fields of study or industry areas where training is 'thickest'; what arrangements should there be for training for small business; and what are the areas of regulatory, policy, provider, or market inhibition to the development of an efficient, competitive training market?

Byrne, P. (1991) 'The training market: who trains, who benefits, and who pays', *The Australian TAFE Teacher*, Fourth Quarter, pp.15, 17, 19, 21.

This paper by Paul Byrne, the National Secretary of the TAFE Teachers' Association (TAFETA), examines the changing context of work and skills formation, discusses some training market issues, and outlines some possible guidelines for the union's approach to training market reform. The paper argues that industrial and technological change, combined with workplace reform and the need for flexible career paths, are transforming the nature, purposes and organisation of the VET system. In particular, the author argues that 'a training system which can allow and assist workers to develop high levels of competence in a range of skills must cross the current boundaries of public training systems, workplace based training, and some activities of private training enterprise' (p.15). The author suggests that strategies must be identified to balance growth and regulation of the training market.

The artificial divide between 'education' and 'training' is discussed, and the need to facilitate convergence of 'general' and 'vocational' education is highlighted. The paper argues that the full range of provider and recipients needs to be identified, and their roles and potential contribution to the market understood and developed. Providers in the training market identified include: schools at the upper secondary level; the TAFE system; on-the-job training; industry-based training systems; private training providers; consultancies; Councils of Adult Education; community providers; universities; employer organisations; and active labour market programs. The author argues that their respective contributions to date have been largely isolated, and need to be applied in a complementary way in order to lift the training effort.

The implications of a fully fledged free market approach to training provision are examined. A worst-case scenario is presented in which the private sector training effort would become *ad hoc* and fragmented, and TAFE would deteriorate. In view of the potential adverse consequences of an unregulated training market for the public interest (quality and access), the author argues that 'public and private training provision must each be transformed and brought within both the market and the training system' (p.17). This would entail TAFE becoming a 'fair and active competitor' in the commercial market, and private providers conforming with the quality control requirements of the system.

The author broadly defines a possible role for each of three major providers in the training market: *TAFE* should continue to develop its provision of a wide range of school-leaver entry vocational programs and access and bridging courses, in addition to playing a prominent role in on-site components of new entry-level programs, award-related training for advanced skills, and enterprise and equipment-specific training; *industry-based training* should focus on developing and recognising more advanced skills relevant to the workplace within the national recognition and quality framework, and in collaboration with TAFE; and *private providers* should specialise in providing niche market training in competition with TAFE, provided they conform with national registration and accreditation requirements.

Carmichael, L., Chair, Employment and Skills Formation Council (1992) *The Australian Vocational Certificate Training System*, National Board of Employment, Education and Training, Canberra.

This report by the Employment and Skills Formation Council (ESFC) outlines a framework for the development and implementation of an integrated entry-level training system in Australia. Specifically, it proposes establishment of a competency-based Australian Vocational Certificate Training System (AVTCS) which merges the existing apprenticeship and traineeship system, and provides a flexible range of articulated, substantially work-based, vocational certificate training pathways. It builds on the recommendations of the Finn Report (1991) and further develops the notion of growing convergence of work and learning, and of general and vocational education.

The ESFC supports 'the development of a more open training market with a greater diversity of providers' (p.87). In addition, the ESFC recommends greater cooperation between providers 'to increase delivery options and achieve economies of scale' The ESFC states that a freer or more open training market is expected to: increase the scope for private provision of VET; increase incentives for VET providers to become more responsive to industry as a consequence of increased competition; allow stakeholders to shape which bodies provide what forms of VET; and assist the development of a more integrated and nationally consistent system through a national market. The ESFC notes that government recognition systems 'will reduce the dominance of TAFE over VET curricula, and provide a regulatory basis for some quality assurance in a more competitive training market' (p.86).

In response to widespread criticism of DEET tendering practices for labour market programs, the ESFC adopted a cautious approach to competitive tendering. It noted that, beyond labour market programs, 'it is very unclear how such a system would operate', and 'it is not obvious that a tender system would improve the quantity, quality, cost-effectiveness and equity of training provision' (p.87). As a result, the ESFC recommended that tendering should not be extended further to government recurrent funding until appropriate remedial measures had been introduced to rectify problems caused by current tendering practices in labour market programs.

In support of its targets for implementation of the AVTCS, the ESFC proposes that integrated networks be developed for the flexible delivery of education and training. It recommends that closely linked networks be developed by Senior Colleges, TAFE Colleges, and private and community providers of off-the-job education and training, including arrangements for work experience and on-the-job training with local firms, skill centres and group training companies. (p.79)

In relation to access and equity, the ESFC recommends that TAFE and publicly-funded providers of VET be required to negotiate targets for equity of access for women and disadvantaged groups, and to demonstrate that these targets have been met in annual reporting. (p.107) In relation to indirect subsidies to private providers, the ESFC supports the extension of AUSTUDY to students of private providers who are registered in accordance with the National Framework of Recognition of Training. (pp.128-9)

Commonwealth Employment Service Advisory Committee, CESAC (1992) *Review of tendering for labour market programs*, Australian Government Publishing Service, Canberra.

This report arises from a review by the Commonwealth Employment Service Advisory Committee (CESAC) of the procedures for tendering for the provision of services under labour market programs administered by the Department of Employment, Education and Training (DEET). In approaching the review, CESAC considered the tendering procedures in the context of the total environment in which DEET's labour market programs operate. DEET is required to comply with the Commonwealth Government's purchasing regulations and to obtain the employment outcomes which provide the rationale for the public funding of the programs. It must also take into account the changes that are taking place in the training market, in particular the move towards competency-based training (CBT).

The principal issues addressed in the report are the: consistency and standard of implementation of the existing guidelines across Australia; relative efficiency of tendering; course determination and planning processes; tender specifications for courses; requests to tender; prequalification of training providers; and measurement of program and course outcomes. CESAC found that: the lack of consistency in implementation causes operational difficulties for training providers and inefficiencies for all parties; although there is a range of costs associated with the tendering process, it has the capacity to deliver training which is high quality, cost-efficient, responsive to market demands and innovative; the depth and quality of DEET's labour market analyses used to identify course requirements are inadequate and may contribute to low employment outcomes; course tender specifications are inconsistent and should be aligned with moves in the wider training market to concentrate on outcome competencies; information about tender opportunities is poor and awareness low among prospective training providers; criteria for tender selection should be more rigorous with respect to course quality (training capacity, qualified staff, appropriate curricula, competency assessment strategies, access to facilities, client empathy, post-course support, support services); and opinions differ over the nature of outcomes (ie. employment vs competencies).

CESAC considered that 'while each sector in the training market enjoys relative structural advantages over other sectors, these are generally countered by disadvantages and no sector is in a position to dominate the market' (p.xvi). The report concluded that tendering is the appropriate purchasing mechanism for labour market programs, and that 'a competitive market has the potential to provide quality, cost-effective training which is responsive to the demands of the market' (p.xvi). CESAC identified the need for: a balance between the requirement for a structured decision-making process and the need to maintain a high level of flexibility; and improved program tendering skills in DEET (purchasing regulations, procurement techniques, tender administration, CBT, principles of adult learning and curriculum design).

Curtain, R. (1995) 'Employers and Access to Publicly Funded Training', *The Australian Economic Review*, 2nd Quarter, pp.93-100.

This paper examines various public policy options for fostering a more responsive training market, explains the 'user choice' proposal adopted by ANTA, and evaluates this approach from a critical perspective. The author works from the premise that 'the training market will only function more effectively if due attention is given by public policy to the constraints enterprises individually and collectively face in identifying and responding to their training requirements' (p.93).

Five options, based on recent reforms in the United Kingdom, Sweden and New Zealand, are outlined: funds allocated by performance agreements; competitive tendering; use of government established and funded intermediaries (franchising); independent intermediaries as purchasers of training services; and user buys. Each represents a different approach to facilitating a purely market-based approach to VET provision. The respective advantages and disadvantages of each approach are outlined in terms of fostering more employer-responsive training provision. According to the author, the latter option of 'user buys', as recommended by ACG (1994a), is the most market-oriented approach to the provision of publicly funded training in that it facilitates direct purchase of training by the end users (ie. enterprises).

In an evaluation of 'user choice', the ANTA policy response to the ACG 'user buys' proposal (1994a), the paper points out that the significant difference between the two approaches lies in the placement of resources. Under 'user buys', both funds and choice are given to enterprises, whereas under 'user choice', choice is given to the enterprise but funds continue to be allocated by a central authority.

The author argues that the 'user choice' option has several flaws. First, insufficient attention has been paid to the lack of college level information about basic performance outcome measures, thereby limiting the extent to which enterprises can exercise informed choice. Secondly, insufficient arrangements exist for providing independent brokerage functions, thereby constraining the extent to which small employers can participate effectively in the market. Thirdly, retention of funding power by a central government authority limits enterprise choice to factors such as course customisation and mode of delivery. This problem is exacerbated by a fundamental power imbalance between the supply (training provider) and demand side (enterprises, especially small and medium-sized) of the training market. This latter problem can only be addressed by putting 'real purchasing power in the hands of enterprises' (p.99).

The author concludes by arguing that, although 'user choice' will inject a greater degree of responsiveness into the training system, 'its limited nature ... and its failure to identify suitable intermediary mechanisms (other than Group Training Schemes) for small and medium-sized employers will restrict the strategy's impact' (p.99).

Deveson, I., Committee Chair (1990) *Training Costs of Award Restructuring*, 2 Vols., The Report (Deveson Report), Canberra: AGPS.

The Training Costs Review Committee (TCRC), chaired by Ivan Deveson, was established in May 1990 by the Conference of Commonwealth and State Labour Ministers to review likely future training costs, particularly those arising from award restructuring. The TCRC was asked to consider the resources required and options for securing additional resources with regard to: the economic benefits accruing to individuals, industry and the wider community; the need for equity in access; the balance of provision between public and private providers, and the role of private providers in the broader training system; skill assessment requirements; and interfaces with schools and higher education sectors.

The Deveson Report (1990) was the first official report to discuss the concept of a training market(s) in Australia, and to express support for 'moves to create a more diverse market for training'. (p.36). It argued that the development of a comprehensive set of markets for training was an important emerging trend which was likely to accelerate in the wake of award restructuring and growing demand for post-school qualifications. As a consequence, 'increasingly the decision by individuals and organisations to undertake training will involve a choice between public, industry and private training providers' (p.9).

According to the TCRC definition, 'the distinguishing feature of a market is the ability to conduct transactions with relative freedom among many potential buyers and sellers' (p.9). Among the identified benefits of a competitive market were lower costs, greater efficiency, better quality, more consumer equity, increased client choice, and less resource wastage. Moreover, 'an effectively functioning training market would allow individual consumers to make informed judgements about the worth of a training activity' (p.9). In effect, a market-based approach would allow consumers to exercise their purchasing power and thereby create a demand-driven system of training provision.

The TCRC reported that, although significant steps had been taken towards deregulation and commercialisation in recent years, the training market in Australia was under-developed and comprised 'an unclear mixture of market and non-market driven activities' (pp.10-11) Moreover, the training market was characterised by numerous distortions and imperfections which excluded new entrants to the market and impeded effective competition. The TCRC quoted the submission of the Business Council of Australia which argued that 'if TAFE is heavily subsidised, or has a monopoly on the receipt of government assistance to students, these policies will prevent the private training provider competing on fair terms. This will inhibit the development of the training market' (p.10). In addition to the TAFE monopoly of public training subsidies, the lack of an independent accreditation and certification mechanism for industry and private providers was identified as a significant impediment to the development of effective training markets. In view of the rapid growth of market-related activities and their intrusion into 'erstwhile non-market activities', the TCRC urged that the appropriate role of market processes in the overall training industry be clarified. (p.11)

The report cites three examples of emergent training markets: TAFE commercial fee-for-service activities; for-profit providers offering training in areas such as business, secretarial and computing skills; and an embryonic commercial sector of firms marketing in-house training courses to external customers. The report also makes brief reference to a developing market for 'training outputs' (ie. competencies), and a series of markets for 'training inputs', which takes the form of firms either contracting in existing TAFE expertise or directly recruiting TAFE personnel. (p.11)

Linked to its support for the training market concept were recommendations that TAFE adopt a more entrepreneurial approach to income generation, particularly through industry training contracts. The TCRC also recommended a shift in the balance of TAFE activity away from delivery to training support, and a consequent increase in on-the-job and workplace training. Such a shift 'has the potential to give industry a far greater influence over and ownership of the training process, the content of training courses, the nature of provision and the outcomes' (p.31). Important issues for TAFE identified by the TCRC were: the balance between commercial and core activities; the need for a more flexible and client-oriented service culture; improved accounting systems and standards; the need for new staff employment, development and career path arrangements; eradication of cross-subsidisation to ensure genuinely competitive and open markets for industry funded training; appropriate pricing policies. (pp.54-57)

A major contribution to the development of the training market concept was its recommendation for the introduction of 'more open, rational and equitable fee charging arrangements in TAFE'. (p.48) To this end, the TCRC recommended that the Commonwealth consider removing existing restrictions on tuition fees under the States Grants (TAFE Assistance) Act. However, in view of potentially adverse equity implications identified by Powles (1990), and given that the returns on investment to TAFE graduates are relatively low in comparison with those gained from participation in higher education, the TCRC recommended that fee increases should be moderate and accompanied by an integrated equity package (including concession and exemption policies, and improved income support and emergency loans).

With respect to the role of government, the TCRC argued that it has ongoing responsibility to: ensure steady and sustained growth of the training system; to encourage industry to increase its training effort; regulate market behaviour in the interests of maintaining quality and equity; establish systems which promote recognition and portability of skills; and ensure that training regulation assists the development of more open and flexible training markets. (pp.36, 61, 66)

Edwards, D. (1992) 'TAFE in the training market', *Australian Training Review*, No.3, May 1992, pp.30-32.

This article is a summary of a speech delivered in 1992 by a former Deputy Chairperson of Victoria's State Training Board, David Edwards of the Victorian Chamber of Commerce and Industry. The article reflects briefly on the nature and composition of the emerging training market, the role of TAFE, customers and suppliers, State Training Board objectives, external factors affecting industry's investment, and industry and students as consumers.

The author states that 'in the training market of the future, both public and private sector providers must operate on equal terms in a competitive environment' (p.30). Greater breadth, diversity, flexibility and responsiveness to the specific needs of the marketplace are identified as the principal benefits of a competitive training market, and it is asserted that the effects of competition will in turn have a positive influence on TAFE providers. The key training suppliers are identified as: public providers, mainly TAFE colleges with higher education institutions providing some higher level skills; private providers, who compete against TAFE often in particular segments of the training market (eg. industry training centres); and in-house training provided by enterprises to develop employees' skills. The author supports government intervention to overcome market failure, for instance to increase supply of a particular skill, but argues that funding should be directed to either TAFE or a private provider. The author argues that TAFE must operate on equal terms with private competitors, ensure full cost recovery, and sell its commercial services at competitive prices

The author states that TAFE has a special role in providing entry-level training, such as apprenticeships and traineeships, but suggests that the private sector may play an expanding role in the future. On the question of the relative merits of industry-based training (aimed at the external labour market) and enterprise-based training (focussed on the internal labour market), the author favours a mixed model with equal emphasis on enterprise-specific and generic skills, and complementary roles for public and private providers. (pp.30-31)

The author draws an analogy between a normal product market and the emerging training market: 'the model that fits closest to normal business practice is to regard industry as the customer and students as the suppliers (and) the value added by the State Training System is the training and the credentials' (p.31). By extension, the author suggests that industry, not students, should be regarded as the principal customer of the training system, and increasing the responsiveness of 'TAFE product' to industry needs is, therefore, of paramount importance.

Finn, B., Chair (1991) *Young People's Participation in Post-compulsory Education and Training. Report of the Australian Education Council Review Committee*, Australian Government Publishing Service, Canberra.

This report addresses issues concerning the future development of post-compulsory education and training in Australia, with particular reference to young people who have left school and are not participating in a formal education or training program. The report focuses particular attention on questions concerning the transition from education to work. The report examines changes in general and vocational education and argues that an increasing convergence between individual and industry needs require changes in the relationship between skills formation in the workplace and educational institutions. In response to these changes, the report suggests that continuing growth must occur in education and training in institutional and workplace settings. The report recommends national targets for increasing the participation of young people in post-compulsory education and training, and the creation of new pathways to facilitate flexible participation.

The report also considered the appropriate roles, responsibilities and likely resource requirements of schools, TAFE and higher education in the provision of post-compulsory education and training, and implications for the role of private and industry providers. The report observed that 'governments have consciously supported a significant role for private training providers by endorsing the concept of an open training market in which there will be a range of provision, in order to ensure for individuals: greater choice; greater flexibility in access; and more equitable outcomes, irrespective of where the service was acquired' (p.112). The report identified providers in the market as: TAFE and higher education institutions; non-government training providers (including non-government business colleges, private correspondence schools and private tertiary institutions); community and voluntary groups; employers who offer training to their own employees and to other organisations on a host basis; professional organisations; and Industry Training Advisory Bodies. The report predicts an expansion in the role of private providers as demand for training services increases, but argues for controlled growth in a way which ensures the quality of educational offerings.

The report recommended that the role of industry in the provision of post-compulsory education and training be enhanced by establishing closer and more effective industry/education relationships, flexible pathways between education and work, and cooperative delivery arrangements. However, the report did not include private and industry provision in its targets for increased participation in, and funding for, post-compulsory education and training.

Fisher, N. (1993) 'Developing a national training market: Is it a sensible strategy?', *Unicorn*, Vol. 19, No. 4, November 1993, pp. 27-33.

This article explores three questions: what is meant by a national training market? what is the market meant to achieve? and can a better concept of education markets be developed? Fisher contends the training market concept is a 'peculiarly Australian contribution to public policy', and one which is effectively absent from equivalent policy debates in North America and Asia (p.27). However, discussion of the concept of a national training market (NTM) in Australia to date has been characterised by diverse, though incomplete and often inconsistent, definitions.

Four main interpretations are identified and discussed: *NTM as a commercial practice* is a shorthand descriptor for commercialisation of VET provision, specifically through the application of competitive tendering in resource allocation. According to Fisher, this approach emerged with the introduction of tendering by the Commonwealth Department of Employment, Education and Training (DEET) for the purpose of promoting competition between suppliers of labour market training programs. Of itself, however, competitive tendering is neither a necessary nor sufficient feature of education markets. *NTM as a descriptor of the range of suppliers and buyers of training* simply reflects a perception of the training market as a diverse array of consumers and suppliers of training, including TAFE and non-TAFE providers in the private sector. Fisher considers neither of these two interpretations to be adequate.

NTM as a message designed to change the relative power and influence of various players locates the notion of consumer sovereignty at the heart of the training market. Fisher identifies three key problems with this perspective stemming from the underlying policy assumption that firms/ industry are the principal consumers of training. First, it overlooks the longstanding responsibility of TAFE providers to contribute to the social objectives of public policy (eg. 'second chance' education, provision in rural and remote locations). Secondly, it ignores or downgrades the importance of students and trainees as clients whose financial contribution to TAFE (via fees) outweighs the direct contributions of employers to the costs of public VET. Thirdly, it overlooks the diverse nature and composition of 'industry', and fails to acknowledge both the conflicts of interest between different industry sectors and the politics and competing priorities of industry advisory structures at a national, State and regional level.

NTM as describing new forms of operating arrangements is another descriptor of new arrangements 'mainly involving competitive providers responding to consumer choices based on comparisons of prices and other characteristics' (p.29). While Fisher considers this interpretation to be the most reasonable, it is 'far too simplistic for words' (p.29). Fisher argues that, consistent with the failure to define the precise market form envisaged for VET, there has been no attempt to identify: the peculiar features of a market where the product has both consumption and investment dimensions, and social externalities as well as personal benefits; the particular characteristics of providers and consumers of vocational education and training in Australia; or the rules and regulations that should govern market behaviour and its relationships with adjacent sectors, especially schooling and higher education. A related issue of concern is the lack of any clear articulation of the benefits of cooperation and collaboration, or of their role in a competitive market context.

Fisher identifies four basic objectives underlying the concept of an NTM: *Responsiveness* denotes the need for VET providers to better address the needs of industry and firms, but not,

argues Fisher, at the expense of individual students or without a clearer recognition of the multi-faceted nature and conflicting priorities of 'industry'. *Diversity* reflects the desire to expand the range of choices available to consumers. However, tension exists between the drive for local market diversity and the development of national consistency and portability. The heavy concentration of debate on urban markets also overlooks the fragmented and geographically dispersed nature of the Australian labour market. *Innovation*, while to some extent fostered in a market environment, may equally be stifled by disincentives to invest in long term development of intellectual property and educational technology. Greater reliance on market-based competition may improve *cost-effectiveness*, but at the same time impose new costs and inefficiencies. Further, recent experience in the USA suggests that attempts to collect reliable and comparable data on the educational activities, costs and performance of commercial providers may prove futile. (pp.30-31)

Fisher proposes a set of six defining characteristics as the basis for an alternative definition of the NTM. It should be a *partial market* in the sense that market operation should be confined to major urban areas and certain generic types of training. The NTM should be a *regulated market* in which a set of rules governs market behaviour so as to improve overall performance and equity. Students should be acknowledged as one of *two broad groups of buyers* (the other being firms/ industry) and explicit weight should be accorded to their rights and preferences. The NTM should incorporate *proper protection for communities' social justice objectives* which extends to private recipients of public funds. The NTM should apply *consistent rules and expectations across sectoral boundaries with schools and universities*. The NTM should be *a market with negligible adverse externalities*, in particular to avoid exacerbating existing structural problems, particularly with respect to women's access to VET. (pp.31-32)

Looking forward, Fisher argues for greater emphasis on clear and consistent terminology, a more realistic assessment of the limits of market-based provision, and better information and education for prospective clients. While such an approach would result in a far more complex arrangement than currently exists, Fisher argues that it will enhance awareness and consistent policy implementation.

Fitzgerald, V. (1994) ***The rationale for government's role in vocational education and training*****, Research Priorities in Vocational Education and Training - A Discussion, Australian National Training Authority National Research Advisory Council Conference, Sydney, 20-22 April, National Centre for Vocational Education Research, Adelaide, pp.208-228.**

This paper examines the rationale for government intervention in the market for vocational education and training (VET) in the context of current economic debate about the relationship between VET and economic performance. The paper focuses on three questions: what justifies a government role in vocational education and training; what kind of role, and where directed; what research is needed to clarify these issues?

The paper reviews recent economic theory and research on the contribution of VET to improved industrial productivity and international competitiveness, and on the role of government. It comments on the inconclusiveness of research attempting to demonstrate direct links between economic performance and education and training.

The paper identifies various externalities (social, cultural and other benefits) which flow from VET, particularly initial vocational training, to justify a major role for government in education and training. It outlines conventional economic arguments about failure in the market for industry training and the resultant rationale for government intervention. Possible reasons for under-investment by individuals and enterprises in training are discussed. The paper argues that, although benefits may be shared outside the firm providing training, they '*depend crucially on how well the training relates to the needs of the enterprise itself ...*' .(p.220).

In the light of this discussion, the paper addresses issues relating to the role of government in VET. The paper suggests that, in view of studies on social rates of return, the role of government in industry training should focus not only on 'economic dynamism externalities', but also on the enterprise, and be differently conceived from the government role in *initial* education and training. The paper argues that the role of government should focus primarily on ensuring that 'the pool of labour is sufficiently broad and deep, and mobile (with ready portability of skills), to contribute to an adaptability to change in our economy, thereby benefiting firms collectively' (p.223). The paper also identifies social reasons for government intervention in training, but argues that these also coincide with meeting the skill needs of enterprises. The paper suggests, however, that while a clear case can be established for government maintaining a role in skills formation, the extent of this role is uncertain.

The paper concludes by identifying a series of research questions which need to be addressed before the extent of the government's role in skills formation in Australia can be clearly defined including: how skill formation occurs in enterprises in relation to the wider set of economic and political forces; what role the emerging training market - comprising both internal (to the enterprise) and external (public and private) providers of training services - should perform in these skill formation processes; and the role of national arrangements to link these more closely.

Fooks, D. (1995) '"User choice": The new orthodoxy in vocational education and training. A commentary on initiatives to stimulate an open training market for vocational education and training', *Unpublished monograph*, Canberra Institute of Technology, Canberra. *

This paper aims to identify and discuss the problems and consequences of implementing a 'user choice' policy. It examines the policy context of the 'user choice' proposal (particularly competition policy); analyses the consequences of increased competition and 'user choice' for providers, clients (industry and individuals), and the community; and speculates on the future implications of market-based reform for the VET sector.

A central contention of the paper is that competition and 'user choice' have been imposed from above as a 'new dogma' in VET reform, the potential implications and consequences of which have not been subject to any independent or critical analysis. Specifically, it argues that the official reports which have promoted market-based reforms are 'doctrinaire' in that they: give unqualified support for the notion of competition; accept without evidence or testing the proposition that increased competition will lead simultaneously to cost reductions, quality improvement and increased innovation; repeatedly fail to address, or address adequately, the problems and unhelpful consequences of increased competition; and ignore the cost implications of the proposed arrangements. (p.2) The paper contends that, although the 'worst feature' of the ACG proposal for a 'user buys' system was rejected by ANTA (ie. direct allocation of public resources to private employers), the alternative of a 'user choice' policy (where funding is directed to providers selected by enterprises) 'still carries with it all the undesirable consequences of this messianic attachment to expanded competition' (p.3).

The paper provides a brief overview of the emergence of market-oriented reforms in TAFE, with reference to the Deveson Review (1990) and the ACG Report (1994a). It points out that, in spite of all the attention given to encouraging market forces in the VET sector, the Deveson Review (1990) proposal that industry should pay for more of the training 'is the one aspect that has disappeared without trace' (p.4).

In its examination of the potential consequences of a market-based approach to VET provision, the paper identifies several issues relating to the rights of individuals. First, the paper argues that giving priority to enterprise skill needs in a demand-side focussed system is a 'high risk strategy' which may produce narrow job-specific training, and ignore individual needs and the national interest. Secondly, the concept of 'user choice' ignores the unequal distribution of power between employers and employees, and the consequent likelihood that 'the wider needs of the individual will be subjugated to the imperatives of the enterprise'. (pp.6-7) Specifically, the proposal that employers and employees make joint decisions about training ignores: the relative weight to be given to the employer's and employee's views; the capacity of each to make informed judgements; and the problems of balancing myriad objectives and constraints (eg. national certification and portability; market linkages, broad-based and generic skills; and resource constraints). Further, the paper suggests that while 'user choice' may be viable for large enterprises in metropolitan areas, it is not appropriate for small enterprises or rural/ remote regions.

Other adverse consequences of market competition discussed in the paper include: the loss of support services and amenities in TAFE due to intense price competition with low-cost private providers; diminished access to training (particularly for disadvantaged groups) resulting from a transfer of training resources and infrastructure from TAFE to private enterprises; hidden cost, equity, and accountability implications of using intermediaries as

training brokers; problems of cost, accessibility, neutrality and confidentiality of information for clients; disruptions to planning with negative consequences for organisational stability, training infrastructure and educational/ industry coverage; increased unit costs and loss of economies of scale; reduced cooperation and resource sharing between providers; potential for fraud, duress and malpractice; and loss of TAFE as a community asset. (pp.8-13)

The future scenario presented in the paper suggests that under a market regime: TAFE will be attenuated; private provision will expand; and enterprise-based facilities will grow. The paper concludes that creating a competitive training market is an artificial exercise with potentially damaging consequences. Instead, it argues that 'energies should be redirected to ... measures to enhance the client focus of TAFE operations' (p.16).

* A shorter version of this paper appeared under the same title in *The Australian TAFE Teacher*, Vol.29, No.2, Second Quarter, June 1995, pp.35, 37, 39.

Hammond, B. (1992) 'Business development activities in technical and further education. The changing face of tertiary education', G. Burke *et al* (eds.) *The Economics of Education 1992*, Centre for the Economics of Education and Training, Monash University, Australian Government Publishing Service, Canberra, pp.123-133.

This paper examines the impact of the new entrepreneurial culture and business development activities in the Technical and Further Education (TAFE) system in the early 1990s. The paper is based on data collected via case study and questionnaire from senior managers in a large metropolitan TAFE college in Melbourne. The paper describes the college setting and scope of business development activities, outlines the major themes arising from the research, and raises questions about the significance of business development, factors which facilitated its success, the benefits of entrepreneurialism, costs associated with business development, new influences on the educational agenda, tension between the needs of bureaucracy and the pursuit of entrepreneurial goals, and future directions.

The paper points out that although much has been written on the need for a more entrepreneurial approach to VET provision, 'there has been almost no documentation or reflection on its actual impact' (p.123). According to the author, the single largest business activity undertaken by the college in 1991 was the provision of courses for full fee-paying overseas students. Additional fee-for-service activities included: courses and consultancies developed directly for industry or enterprises; advertised training courses; and product development. The principal clients were individuals and companies/institutions from local, interstate or international sources.

The paper describes the rapid rate of cultural and organisational change which accompanied business development in the college, and attributes this change to the erosion of traditional government funding sources. In some cases, business activities displaced recurrently funded programs as the priority of teaching divisions. Among the factors which facilitated successful growth in business development activities were: an established record of business development; innovative and strategic management; managerial autonomy; minimal staff resistance; a reward structure for staff; 'change agents' and professional marketeers; organisational flexibility; and resources for market development.

Managers were reported to be satisfied with the personal and professional rewards arising from business development, and claimed that students had also benefited from higher quality teaching and resources paid for by fee-for-service activities. However, the author raises several issues including: the need to address the possible lack of entrepreneurial skills and qualities among other managers in the State Training System; equal opportunity implications for female managers; and the creation of two 'classes' of students (one fee-paying, the other government-subsidised).

Among the costs associated with an increased reliance on income from business development activities in the college were: pressures on facilities and perceived losses in overall staff and student amenities; substitution of fee-for-service for recurrently funded students; lack of security for contract staff; management-staff conflict; and increased financial risk and organisational instability.

Other issues raised for consideration in the remainder of the paper include: the relative priority attached to short term industry needs versus educational balance in the curriculum; the impact of commercial activity on the quality of teaching and learning; the extent to which 'industry' is representative and how well industry can identify its needs; the negative impact of inter-college competition on systemic cooperation and resource sharing; the adverse

effects of competition on colleges without the markets, skills or financial reserves to ensure growth; equitable access for students to quality courses in a commercialised system; potential damage to the notion of a professional collegiate in the VET sector; tensions between central bureaucratic regulation and accountability and local flexibility and entrepreneurialism; and future employment arrangements for college managers.

The paper concludes that, although the short term gains from business development activities are considerable in financial and individual terms, the actual and potential costs place the wide accessibility, long term stability and community service role of TAFE colleges at risk.

Harmsworth, P. (1995) 'User choice and the training market', Paper presented at *Towards a Skilled Australia. National Vocational Education & Training Conference*, Conference Proceedings, February, Australian National Training Authority, pp.111-126.

This paper by the Director of the Victorian Office of Training and Further Education, Peter Harmsworth, provides a broad analytical overview of policy developments in the training market. It begins with a brief description of the evolution of the training market as a policy framework, identifies some of the defining characteristics of the training market, reviews recent research and policy formation, and examines the key elements of 'user choice' and associated policy and implementation issues.

The paper draws a distinction between a 'market-model' of training and an 'educational model' of training. In its pure form, the market-model is characterised by little or no regulation, is generally organised and funded by employers, and is therefore directly linked to labour market fluctuations. The education-model takes two forms. Either it separates training from employers and locates it in vocational schools, as in France or Sweden, or if training is more directly linked with employers, as in the German 'dual' system, provision is strongly regulated by the State and social partners which effectively insulates it from short term labour market disruptions.

The paper examines training market policy in Australia which it argues has been simplistic in conception and based largely on the assumption that increasing competition on the supply side will decrease costs and increase quality and innovation. The defining characteristics of this supply-side version of the training market in Australia are regulation (recognition of providers and skills) and funding (competition for public funds). The paper observes that demand-side reforms have concentrated primarily on increasing the influence of industry (and to a lesser extent individual firms) on the structure, quantum and delivery of VET, through national industry competency standards and national/ state advisory bodies, but within a broad framework of government regulation. In these respects, the paper argues that a 'hybrid' version of the training market has been developed in Australia which seeks 'to maximise the public benefits of training as well as to encourage the demand-side to pursue private benefits'. (p.114)

The paper reviews existing research on the training market, specifically by Anderson (1994) and the Allen Consulting Group (1994a, 1994b), which has 'moved beyond the policy framework to examine more closely how the training market actually operates ...' (p.115). The author identifies the principal outcome of this research in policy terms as the development of the concept of 'user choice' by the Australian National Training Authority (ANTA).

The paper examines several key characteristics which are likely to shape the evolution of 'user choice'. The major characteristic is the new emphasis placed on 'client focus', as originally defined by ANTA (1993), which highlights the need for VET providers to respond to client needs in the planning and delivery of programs and services. This shift in emphasis, argues the author, reflects the broader trend in all industries from mass market production to niche market customisation. The paper points out that 'user choice' differs from the concept of 'user buys' (ACG, 1994a) in that decisions about provider preferences are transferred to clients (employers and employees), but not actual resources. The paper observes that client choice already exists at a relatively restricted level in terms of individual students choosing between courses and providers, but points out that 'user choice' implies enhancing the

capacity of firms and employees to exercise choice over who provides training and how. However, the author suggests that effective 'user choice' may be constrained by the unequal distribution of power between large suppliers and the individual client, and by the level of available resources. (pp.120-1)

The paper examines a range of complex policy and implementation issues which surround 'user choice'. First, the need to strengthen links between providers and clients at the local level implies a shift from market intervention to market regulation for State training authorities. Secondly, competition may be limited by the restricted range of providers in some fields of study and non-metropolitan areas, so ways must be found to increase the influence of clients over course structure, content and customisation, mode of delivery, and evaluation of outcomes. Thirdly, imperfections exist in market information, so greater attention must be paid to improving the preconditions for effective client choice. Fourthly, increasing the influence of clients (employers/ employees) presumes a willingness to exercise choice, which in turn will require enterprises to accept greater responsibility for defining the training outcomes required. Finally, the restricted capacity of individual employers and employees in small firms to exert influence and benefit from 'user choice' indicates a need for intermediaries to provide brokerage services (eg. Group Training Companies). (pp.121-5)

The paper concludes that 'user choice', by strengthening the role and influence of clients, changes the role of government and provides a mechanism for developing a more effective and sophisticated working model of the training market.

House of Representatives Standing Committee on Employment, Education and Training, HRSCEET (1991) ***Skills Training for the 21st Century. A Report on Skills Training: Apprenticeships and Traineeships*****, Australian Government Publishing Service, Canberra.**

The aim of this inquiry was to examine the effectiveness and appropriateness of existing apprenticeship and traineeship schemes with particular reference to the administration of the Commonwealth Rebate for Full Time Apprentice Training Program, and the ability of these schemes to provide flexible, broad-based skills development. The report is divided into sections dealing with: post-compulsory education and training; integrated entry-level training; employer subsidies/ training wage; convergence of general and vocational education; and the training market.

In its examination of the training market, the Committee identified the following range of training providers: higher education institutions; TAFE; commercial training providers, such as business colleges; employers (including structured on-the-job or off-the-job); community and voluntary groups; professional organisations; and industry training bodies. The Committee found wide variance among TAFE systems and individual colleges in terms of the degree of autonomy and adaptability exercised in the training market, and the extent of active links with local communities. The Committee argued that TAFE must continue to fulfil its wider social and educational obligations by providing access for the disadvantaged and continuing its role as the principal provider of post-school training opportunities for adults. It concluded that resources are insufficient to meet current and potential demand and supported the diversification of training providers. It recommended that the Commonwealth Government assume prime responsibility for funding the public sector component of vocational education and training.

With respect to private providers, the Committee argued that, in view of the expansion in demand for training, it is essential that there be an increase in non-TAFE training providers, such as industry skill centres, in-house training and commercial providers. Towards this objective, the Committee supported the development of proper accreditation mechanisms to enable formal recognition of skills gained, and recommended the establishment of national registration procedures for private providers. The Committee also recommended continued funding by the Commonwealth of Skillshare and group training schemes, and a review of labour market programs.

***Jones, B. (1995) 'User choice and the training market', Paper presented at Towards a Skilled Australia. National Vocational Education & Training Conference*, Conference Proceedings, February, Australian National Training Authority, pp.127-131.**

This paper by the Manager of Training and Development at Email Ltd., Bryan Jones, provides an industry trainer's perspective on 'user choice'. The author points out that 'choice of provider has, in general up to now, been confined to the public providers', although 'providers are becoming more responsive to the needs of employers and employees'. (p.127) The author suggests that greater emphasis must be placed on disseminating information to non-training personnel in industry 'who ultimately make the choice of who is trained, on what, and when it will take place' (p.128).

The author identifies a range of variables which need to be considered when deciding the type, time and method of training delivery: accreditation (government or self); national/ enterprise standards; assessment methods; credit transfer; educational standards of participants; national acceptance; desired outcomes; cost factors; flexibility of delivery; and needs base. The author states that, while public providers may provide the most cost-effective method of delivery, selection of a suitable provider will depend on whether all the varying demands of employers and employees are satisfied.

The author identifies a set of conditions that would facilitate a more open training market: creating conditions for optimum investment in training by individuals and enterprises; diversifying training supply and creating competitive conditions for its delivery; opening the enterprise stream of training to firms of all sizes; increasing access to growth funds; and assisting with capital expenditure for training equipment. The author argues that 'user choice' will improve productivity by increasing on-the-job delivery and matching standards to enterprise needs. Moreover, 'user choice' will benefit industry by: increasing awareness of training benefits; encouraging in-house training; promoting reform through award restructuring; increasing demand for flexibility in training delivery; and stimulating training partnerships.

Kell, P. (1993) 'Managerialism and market forces in vocational education: "Balkanising" education in the "Banana Republic"', in J. Smyth, *A Socially Critical View of the Self Managing School*, Falmer Press, Lewes, pp.213-38.

In this paper, Kell presents a critique of corporate managerialism and market reforms in relation to vocational education and training in Australia. The paper places these reforms in a historical and contemporary policy context, deconstructs their implicit logic and assumptions, examines their social and educational consequences; and analyses the ideological contradictions and tensions at the heart of these reforms.

The paper traces the evolution of TAFE in Australia from a 'fragmented and archaic system of technical colleges funded and managed by state government departments' to a more integrated system which performs an important role in mediating competing social and economic interests, and providing educational avenues for social mobility. The paper examines the emergence of economic rationalism in the context of economic crisis in the late 1980s, and the role subsequently assigned to TAFE as a tool of micro-economic reform. Administrative reforms and organisational restructuring of education systems in Australia from the late 1980s are critically evaluated, with particular reference to the TAFE sector in New South Wales. The paper argues that 'the adoption and implementation of the managerialist approach was to exacerbate and expose contradictions between policies advocating a unified national focus, on the one hand, and a devolved and market-oriented training system, on the other' (p.217).

The paper examines the consequences of corporate managerialism and entrepreneurialism for the social and educational character of TAFE. The paper argues that rather than reforming moribund management practices and empowering teachers through devolution, the administrative reforms installed new technologies of control and surveillance in the workplace and entrenched paternalistic and autocratic styles of management in TAFE colleges. Moreover, contrary to the policy rhetoric which claimed compatibility between the industry and social justice roles of TAFE, the paper argues that the reforms effectively marginalised access and equity concerns, and legitimised the sectional interests of corporate industry and business.

The paper's central contention is that successive restructures using a corporate managerial model have reconstructed the notion of a public education system, in accordance with free market orthodoxy, as 'a loose collection of branch offices or separate institutions striving for market share and serving specific enclaves' (p.222). The paper contends that the resulting fragmentation represents a 'Balkanising' of public education which 'has important implications for Australia's social, political and economic development, facilitating a polarised, divided and fragile social structure' (p.223). In particular, the alignment of the VET system with the interests of big business and the de facto privatisation of TAFE 'represents a marginalisation of the interests of other stakeholders, including small business, and a corruption of the more universal and democratic goals associated with education' (p.224).

Kell, P. (1995) ***The Bargain Bidding State: Outsourcing Vocational Education and Training*****, Paper presented to The Idea of Productive Diversity Seminar, James Cook University, Townsville.**

This paper examines the changing role of the State and its relationship to society in the context of neo-liberal market ideology. The paper develops a thesis based on conclusions drawn from an analysis of recent reforms in vocational education and training in Australia, and examines the impact of the culture of the market on pluralistic democratic values and opportunities in employment and education.

The paper traces the emergence of market rhetoric and public choice theory in the national training reform agenda from the late 1980s. The paper argues that the Deveson Report (1990) signalled two important changes in the nature of training reform. First, it created the notion of a training market with a mix of private and public training providers to break up the TAFE monopoly of training supply. Secondly, it secured the status of industry as the chief determinant of training needs, or the demand for training. The paper argues that these changes represent the paradox at the heart of market theory and economic rationalism in that 'strong state intervention is initially required to create the conditions for a deregulatory framework' which, in turn, undermines the 'relative autonomy' and power of the State to intervene in social and economic life in the public interest. The paper identifies the establishment of the Australian National Training Authority (ANTA) as the most significant recent policy shift in that it changed the cycle of VET funding and the nature of its distribution. In effect, 'ANTA became the distributing agent for funds to both the private sector and the public sector which were allocated on the basis of submissions' (p.9).

The paper suggests that the State has effectively 'regulated for deregulation' by implementing a series of structural reforms centred around four themes: reforming regulations which restrict competition; reforming the structure of the public sector to replicate the private sector; providing third party access to facilities for competition; and fostering 'competitive neutrality' between government and private business. The paper argues that the paradox posed by 'regulated deregulation' is resolved by constructing a training market using the analogy of the franchise. In this view, the State outsources the provision of VET to 'licence holders', and competency-based training (CBT) is used as an instrument for the State to monitor and control access to, and performance in, the training market. (pp.9-12)

Several adverse consequences of markets in VET are discussed in relation to information, equity, planning and democratic accountability. (pp.12-14) The paper concludes by arguing that 'the State is intervening and using the rhetoric of devolution, deregulation and marketisation as a means of disguising the redirection of public resources into private and corporate hands' (p.14).

Kell, P., Balatti, J. & Muspratt, S. (1995) *Private training in North Queensland*, Paper prepared for the Fourth International Literacy and Education Research Network Conference on Learning, Townsville, 29 June- 2 July.

This paper reports on research conducted into private providers in regional North Queensland. It provides an overview of the policy context and prior research on private providers, and examines the nature of private sector training providers with respect to their structure and organisation, funding sources, programs, staff, participants, and industries serviced, based on a survey of fifty four private providers. The paper also examines issues relating to the training reform agenda and links with higher education institutions from a private provider perspective.

Issues discussed in relation to training market reform include: costs and complexity of accreditation and registration, particularly tension between the need for local flexibility and national accreditation and accountability requirements; unfair competitive advantages enjoyed by large public providers; changes to, and the resource and time-intensive nature of, regulatory requirements; and barriers to cooperation with higher education institutions. (pp.11-17)

Policy issues identified in the paper include: the devolution of regulatory responsibilities and costs to private providers; barriers to market entry and participation facing small private providers; disadvantages experienced by small regional providers in competitive tendering processes; restrictive definitions of industry training; lack of access for disadvantaged groups, particularly those from remote areas and non-English speaking backgrounds; and lack of professional development for private trainers. (pp.17-20)

The paper concludes that 'policy frames which assume connections between the emergence of private providers and the implementation of an open training market sponsored by ANTA are clearly flawed' (p.20).

Lundberg, D. (1994) ***Calling the tune. Market responsive vocational education. a discussion paper*****, National Centre for Vocational Education Research, Adelaide.**

This paper is a wide-ranging discussion of contemporary policy initiatives and options for the development of an open training market in Australia. The paper sets out to address three questions: would vocational education and training be more or less efficient and effective if the market for education and training services were to become more competitive ? in what ways should VET become more market-responsive, if any? and what are some of the undesirable implications of vocational education and training becoming more market-responsive? In addressing these questions, Lundberg discusses a range of issues including: competition and cooperation; the limits of markets as an instrument of social choice; balancing education and labour market priorities; quality; access and equity; and ministerial goals. Several options for increasing market-responsiveness are briefly examined: fee-for-service arrangements; joint ventures; tuition fees; private providers; industry training advisory boards and the Australian National Training Authority (ANTA); tendering; vouchers; and corporatisation.

According to Lundberg, ministerial support for an open training market signifies a fundamental departure from the broadly humanist conception of technical and further education (TAFE) expounded in the Kangan Report (1974). Lundberg argues that, although the concept of the open training market is ill-defined and its policy objectives are 'fuzzy', it is clear that 'ministers favour the development of a more competitive market for education and training services' (p.7) At present, however, 'the adoption of an open training market as national policy is far from being fully realised' (p.6) and the existing market for education and training services remains 'highly distorted' (p.7)

Lundberg argues that the underlying policy principles of competition and cooperation between providers, though not necessarily mutually exclusive, are potentially conflicting. As a consequence, the balance between competition and cooperation needs to be clearly articulated, and attention given to associated regulatory policies if unintended consequences are to be avoided in practice. (pp.9-10).

Lundberg contends that, although markets can promote efficiency and productivity in resource utilisation and increase choice for consumers, real conditions limit their capacity to promote genuine social choice. (p.10) Imperfect access to information, differential and inequitable access to financial means, and constraints relating to time and geography are cited as factors which inhibit the market as an instrument of social choice. Lundberg suggests that conflicts may also occur in relation to balancing individual decisions about education and training services with labour market needs, educational quality and equity of access. (p.12) In all three cases, Lundberg suggests that the resolution of tensions lies in appropriate market regulation by government. In the first instance, 'some mechanisms will be required for balancing the overall mix of provision by all providers, probably by government decisions' (p.13). In the second, quality could be promoted through a combination of industry-determined national competency standards, provider registration and course accreditation, and consumer access to relevant and credible information about comparable quality (pp.15-17). Access and equity could be achieved through the imposition of minimum quotas, direct subsidies and tenders for services to disadvantaged students (p.15). The lack of clarity to date in policy objectives, however, has been in large part a product of the fragmented and uncoordinated national advisory structures established by Ministers to develop the training market concept (pp.17-19).

Lundberg's discussion of the various market mechanisms employed so far in Australia suggests that benefits have arisen from, and further scope exists for expansion of, joint industry/TAFE ventures, private providers with appropriate quality controls, and Industry Training Advisory bodies (ITABS) under the guidance of ANTA. More controversial and problematic are fee-for-service provision and tuition fees due to their perceived negative implications for TAFE's educational mission, and for disadvantaged groups. Tendering for program provision, while stimulating competition in the marketplace, can have deleterious effects if price, rather than quality, is the principle selection criterion. (p.24) Vouchers, on the other hand, offer some advantages in that they transfer effective control over purchasing decisions from government bureaucrats to consumers, thereby achieving one of the fundamental objectives of market-based reform. Various forms of voucher schemes, such as tax credits and youth guarantees, are discussed. However, in view of the complex social and economic effects of voucher schemes in operation, particularly with respect to educational quality, equity of access, labour market imbalances, limits on choice, access to information, and fraud, Lundberg concludes that 'to date the history of vouchers does little to inspire confidence' (p.28).

In terms of the impact of market initiatives on the public TAFE sector, Lundberg identifies few causes for concern: ' Good TAFE colleges ... need not fear such a regime, because TAFE is presently a dominant market provider ...' (p.29). Nevertheless, the paper identifies factors which may distort competition in the transition to a more competitive training market, such as uneven course delivery costs between fields of study, and historical inequities in college infrastructure (pp.29-31). More generally, Lundberg suggests that further analysis of market distortions, and of the implications of corrective action taken by government, is required. Lundberg proposes that the notion of 'openly contestable markets', as expounded by the Australian Trades Practices Commission, is a more appropriate basis for analysis than the notion of a 'level playing field' (pp.31-2).

In the final analysis, Lundberg argues that a more competitive training market is a potentially beneficial concept to develop, 'provided it is understood in terms of a regulated market, rather than a "laissez faire" one' (p.32). On the proviso that appropriate safeguards are established to prevent abuse, and promote equity and quality, he concludes that a more competitive market may produce tangible benefits for both individuals and industry with respect to the delivery of VET relevant to social needs.

Mageean, P. (1990) 'Issues arising from the introduction of tertiary education enterprise activities - Examples from TAFE', *Higher Education Research and Development*, Vol. 9, No. 2, pp.123-131.

This article is written for people concerned with tertiary education enterprises whether as developers of saleable intellectual property (such as inventions, ideas, resources, concepts), providers of a course or other service, as negotiators of contracts, marketers of educational services, or as policy developers concerned with the overall organisation of tertiary education and the role and purposes of enterprise activities. It assumes that enterprise activities are an important feature of tertiary education in Australia, both now and in the future. The article discusses a number of potential and existing conflicts and tensions of relevance to those involved in these activities and provides examples of how certain TAFE institutions have responded.

The article first examines the different and often conflicting purposes of education and business. It highlights concerns that entrepreneurialism could distort educational priorities in that profitability, rather than educational or social value, may determine course provision. The author argues that the administration and financing of educational organisations should be separated from enterprise activities, as 'too great an emphasis upon market forces can lead to goal displacement where resources are diverted from long term goals to areas where there is a quick profit'. (p.123) The changing nature of work and industrial organisation, and the multiple roles of TAFE institutions, are discussed. The author suggests that educational organisations need to work closely with enterprises to develop a system's approach to skills formation and work organisation.

TAFE staff reluctance to participate in enterprise training activities and associated concerns about quality are discussed. The author identifies a number of potential benefits arising from the re-definition of TAFE staff roles not only as lecturers but also as consultants to industry. (pp.124-5) The potential for conflict between educational and enterprise priorities is discussed, and the need for checks and balances is identified. (p.125) The competing resource demands of mainstream educational and entrepreneurial activities are considered, and a set of criteria for assessing the value of investment in new enterprise activities is presented. (p.126) Other issues relating to the establishment of education enterprise activities are discussed including: the need for organisational change; effective management strategies; financial risks; the role of overseas students; competition issues; access and equity concerns; internal college divisiveness; inexperience in enterprise development; pressures on participating lecturers; the need for administrative support; the conflict between enterprise and traditional college administration; and the conflict between commercial risk taking and organisational stability. (pp.126-131)

The author concludes that: enterprise activities are likely to become an increasing part of tertiary education; educational organisations need to respond in new and inventive ways to market opportunities; and, provided that development is controlled, enterprise activities 'can be a significant way of invigorating academic institutions while contributing to Australia's economic growth' (p.131).

Maglen, L. & Selby Smith, C. (1995) *Pricing options in NSW TAFE*, Working Paper No. 1, Centre for the Economics of Education and Training, Monash University.

This working paper arises from a review commissioned by the NSW TAFE Commission to identify which of its programs should be publicly subsidised or subject to 'user pays'. The paper analyses the economic issues involved, examines the respective responsibilities of the various stakeholders, and identifies strategies to achieve greater efficiency and equity. The paper is divided into five sections: the first section introduces the discussion; the second section discusses a range of conceptual issues; the third section considers the present position in New South Wales; the fourth section sets out a number of options designed to achieve greater efficiency and equity; and the final section presents the authors' conclusions.

The paper canvasses some of the broad conceptual issues surrounding the questions of who should provide and who should pay for VET. Three questions are posed: who is in the best position to know what is the most appropriate form, type and amount of training to be undertaken; who is most able to provide that training in the most convenient, cost-effective and efficient manner; and how can VET be funded in a way that best ensures equity and access, adequate cost-recovery, and responsiveness to the needs of industry and the preferences of trainees? Three basic sets of considerations are addressed: the distinction between general and specific training; considerations of efficiency and equity in determining the role governments should play in the provision and funding of VET; and the options that arise from a consideration of public utility pricing policy.

Five points are highlighted which emphasise the importance of: taking account of the relationship between marginal costs and benefits when determining the quantities to be provided; fixed costs and how they are funded, particularly in situations where higher levels of output can be produced at progressively lower levels of costs; the elasticity of demand for different TAFE products (ie. the extent to which demand alters as the price which is charged varies); efficiency *and* equity objectives which need to be considered but do not necessarily conflict; and the extent of provision of different TAFE courses, at different academic levels, in different locations, for different skills and occupations in terms of their effects on skill-mix and on other economic activities, firms and regions.

The third section examines some relevant aspects of the present situation in NSW: the input and output controls considered appropriate by the NSW government for State organisations classified according to their financial and market status; the broad organisation of NSW TAFE (Institutes and Training Divisions) and roles and responsibilities in program provision; the funding of TAFE NSW programs (mainstream courses, labour market training programs, TAFE PLUS activities); some of the factors which may determine whether a program is subsidised or charged out at full cost; and two recent reports on pricing issues.

The fourth section of the paper presents a grid of options with *public provision/ public funding* at one end of a spectrum and *private provision/ private financing* at the other. Within this grid, four broad directions for government policy are identified: maintain the status quo, but expand, diversify and/or stabilise the public revenue base for training; continue as the major training providers, but seek a greater degree of cost-sharing; use public funds to encourage greater private provision of training; and encourage both greater private provision and greater private funding of training. Three specific funding options for TAFE NSW are considered: continue with present arrangements; adopt a commercial fee exempt proposal for TAFE PLUS; or move towards more cost-reflective pricing (with associated reforms). The paper concludes by noting the potential efficiency and equity advantages of the third option, and emphasising the importance of appropriate first steps and transitional arrangements.

Marginson, S. (1991) *Development of Educational Markets in Australia, Discussion Paper*, No. 16, Public Sector Research Centre, University of New South Wales.

This paper provides an overview of the privatisation and commercialisation of Australian education (including vocational education) since the 1960s. It points to the growing role of market systems in the production and delivery of education, particularly since the mid 1980s. Areas covered include: the expansion of private schooling; the overseas marketing of education; the growth of cooperative ventures between education and industry; increases in private contributions to higher education and VET through new fees and charging mechanisms; commercial activities in TAFE; and the increasing number of private providers.

The paper provides definitions of terms which are often used imprecisely in debates about education and training markets. Privatisation is defined as 'the transfer of production or assets from the public (government or state) sector to the private (non-government) sector' (p.1). It includes the sale of land, building or equipment; denationalisations; the raising of private equity in public enterprises; the contracting out of public production to private firms. The author observes that the public/ private distinction is important in that production in the public sector, as distinct from the private sector, 'is governed by political as well as economic considerations, and policy on public sector production is underpinned by notions of general interest and public welfare unique to government' (p.1).

Commercialisation 'takes place when production assumes some or all of the forms of market (exchange-based) production' (p.1) It includes sale of goods or services, scarcity and competition, profit-making, etc. Full commercialisation is driven only by profit accumulation and the expansion of production and markets (free of prior political considerations). The author points out, however, that the public sector is not always a non-market sector and that considerable commercial activity can occur within it. The converse applies to the private sector. Moreover, the author points out that tendencies to privatisation and commercialisation, although quite separate and distinct, can often generate each other. For example, 'commercial relationships in the public sector may create new markets in which private sector production later flourishes' (p.1).

The author comments on a number of developments in the VET sector: the emergence of a considerable, though undocumented, private training sector (both in-house and institutions); the re-introduction of tuition fees, and the expansion of commercial training activities in TAFE. The paper concludes that in training (as in higher education), 'strong trends towards profit-based commercialisation are likely to also strengthen the role of the private sector in the longer term', and that 'at the least Australia is evolving a mixed public/ private education system, with both public and private financing playing a major role even within the public sector institutions' (p.11).

Marginson, S. (1992) 'The training market', *Education Links*, 44, Summer, pp.23-24.

This paper briefly examines the origins and development of competency-based training (CBT) and its role in the context of the training market in Australia. The author argues that, although the discursive origins of CBT lie in the union movement's agenda for industrial reform, it also stems from the OECD's program to promote human capital formation through the development of commercial training markets which better integrate training and industrial production. CBT facilitates the development of a market-based approach to training provision in that it provides the necessary 'currency' for exchange. However, the author contends that, as 'competencies would act as an economic commodity capable of market exchange', they emphasise the exchange value of credentials, 'rather than the use value of the labour they are meant to represent' (p.24). Apart from limiting the capacity of CBT to effect workplace reform, Marginson argues that the emphasis on exchange value displaces education's other roles, including its effects in constructing social relationships, and in the constitution of knowledge. In turn, the further development of the training market hastens commercialisation of other parts of the education and training system.

Marginson, S. (1993) *Education and Public Policy in Australia*, Cambridge, Cambridge University Press.

This book comprehensively addresses major issues in contemporary Australian education policy including: the relationship between education and work, the reform of higher education and vocational education and training, outputs and resources, the role of governments, privatisation, commercialisation and marketisation. It provides a critical examination of the impact of neo-classical economic theory on public education policy, arguing that education has become a branch of economic policy rather than a mix of social and cultural policy.

The author contends that education is becoming a marketed economic commodity (or rather, a number of different commodities), especially in post-school institutions such as TAFE. Although most production of education remains in the public sector, a mixed market/non-market system is emerging in place of the old model of administered output. The chapter on markets in education describes the end of free tertiary education, the rise of overseas marketing and postgraduate fees, the debate about student loans, commercialisation of TAFE, and proposals for vouchers. It also reviews the effects and implications of commercialisation for student participation, organisational stability, educational objectives, equity, quality, accountability and democratic control. The author's analysis, however, concentrates primarily on market forms in, and their effects on, higher education. Apart from analysing the role of competency-based training in the development of training markets (Chapter 7), the nature and consequences of markets in post-school VET are not addressed in great detail.

The value of this book for current debate on markets in VET lies in its contribution to our understanding of the intellectual origins of market theory, and the associated ideological assumptions underlying recent policy and administrative reforms, particularly those stemming from economic rationalism, corporate managerialism and public choice theory. As such, it provides an invaluable conceptual framework with which to examine and critically analyse the nature, development and impact of market reforms on VET policy and practice in Australia.

Marginson, S. (1995) 'Markets in education: a theoretical note', *CSHE Research Working Papers* 94.5, Centre for the Study of Higher Education (CSHE), University of Melbourne.

This paper theorises education markets developing a political economy framework based on the work of Hirsch and Marx, and influenced by social theory insights from Foucault, Lyotard, Rose, Raymond Williams, and others. It discusses production in education, distinguishes the different forms of market and non-market production, and examines the characteristics of market production: the production of individualised commodities, relations of exchange, relations of competition, and market behaviours ('subjectivities'). Examples are provided of different kinds of production in education. The paper also discusses the role of privatisation and commercialisation in facilitating the process of transition from non-market to market production.

The paper analyses the commodity forms produced in education under the influence of human capital theory and economic rationalism, with particular emphasis given to the role of educational credentials as a 'positional good'. Positional goods are 'places in education which provide students with relative advantage in the competition for jobs, income, social standing and prestige', and their acquisition is often signified by credentials (p.15). According to Marginson, positional goods of differing value are produced in selective private schools, higher education institutions, some vocational courses in TAFE, and also select government schools, and can be produced under market and non-market conditions of production.

The author identifies and analyses three other commodity forms in education which he classifies as 'self goods', 'training goods' and 'knowledge goods'. 'Training goods' are purchased directly from educational institutions by employers rather than students (eg. employer purchase of block training places and employer-subsidised on-the-job training). In effect, TAFE employment-linked courses (eg. apprenticeships, traineeships) 'can be two different commodities, a positional good purchased by the student, or a training good purchased by the student's employer ...' (p.19). Unlike educational goods which confer positional advantage, the purchase of training goods 'is almost always followed by the use of that training in the labour market, and for the employer the value of the commodity is represented not by the exchange value of the credential for the graduate, but by the marginal value added by education labour in the process of production' (p.19). The author observes that it is easier to measure the economic value of training goods than that of positional goods.

Martin, L. (1995) 'The role of the private provider in a national system of vocational education and training', Paper presented at *Towards a Skilled Australia. National Vocational Education & Training Conference*, Conference Proceedings, February, Australian National Training Authority, pp.179-183.

This paper, prepared by the President and Executive Chairman of the Lorraine Martin Commercial College, describes the range of private providers, assesses the impact of aspects of the training reform agenda on private providers, identifies barriers to reform from a private provider perspective, and discusses the role of private providers in the national VET system.

The paper notes the rapid expansion in the number and type of private providers in recent times in response to growing demand in industry and the community. The role of private providers in t' 'ning local and overseas students is highlighted. Recent changes in, and problems wit government policy affecting private providers are briefly discussed, specifically accreditation and AUSTUDY.

Barriers to reform identified include: the cost, complexity and time-consuming nature of recognition; the loss of flexibility and autonomy resulting from government regulation; and marketing disadvantages affecting private providers. Articulation, credit transfer and portability of qualifications are identified as positive outcomes of training reform for private providers.

The paper envisages an expanding role for private providers in terms of increasing client choice, improving the quality of training, and improving access to training. The paper argues that for private providers to promote 'user choice' and to compete effectively in the training market, they must be given equal access to public funding and expertise, and public sector fees must reflect the true cost of delivery. The paper concludes by proposing that public sector training courses should be discontinued 'when the private sector can cope with the volume of clients and offer the courses more efficiently' (p.183).

National Board of Employment, Education and Training, NBEET (1991) *Progress and Prospects in Improved Skills Recognition*, Commissioned Report No.10, Australian Government Publishing Service, Canberra.

This report aimed to: map the development of change in skills recognition; gather views of key stakeholders about the pace and direction of change; and analyse the implications for long-term strategy in NBEET's area of responsibility. The report provides, first, an overview of the emerging skills recognition system, ranging from the analysis of skills and competencies in workplaces through the new public infrastructure of course accreditation and registration of providers to links between skills recognition, industrial relations, and workplace change. Secondly, the report records the views expressed on nine key issues by more than seventy organisations consulted. Thirdly, the report includes a brief synthesis of suggestions for further reform of the skills recognition system.

The particular significance and contribution of this report to the development of the training market lies in the manner in which it conceptualised the 'new paradigm' of skills formation and recognition as an integral part of the educational and administrative infrastructure for a market-based approach to VET provision. In particular, the report foreshadowed the development of 'new credit exchange or "currency" systems ... including expanding the number and range of authorised "issuers" of "legal tender" (through the registration of non-public providers and the accreditation of their courses), new "exchange" agreements and systems (credit transfer, mutual recognition, articulation, and skills/ credit banks), and new units of currency, smaller and more flexible than certificates awarded at the end of formal courses'. (p.xi) The report argues that, as the market for training is increasingly deregulated, competencies will become the new unit of exchange.

The report linked the development of new techniques for skills recognition to 'the move to construct a "level playing field" of training provision' in which 'private education and training providers (market-based and in-house) are being drawn into the mainstream by being allowed to offer courses leading to publicly-recognised qualifications', and 'public providers (primarily TAFE) are being "pushed out" in the world of competition by new requirements and opportunities for selling training services and programs on the open market' (p.22). The report characterises state training agencies and authorities as the 'architects and umpires of the "level playing field"' whose function is to establish a diverse, decentralised and coherent system of skills formation and recognition which operates by 'a single set of rules'. In this role, 'they must let the private and community training providers in on the game, and push the public TAFE colleges out into competition with the new players, and, in many respects, with each other' (p.24).

In addition to identifying the need for quality assurance information and mechanisms, the report examined a number of funding anomalies and problems arising from the implementation of new skills formation and recognition approaches. A key issue identified is that prevailing funding structures are preventing or inhibiting the transformation of *mainstream* education and training provision. It argued that: because existing resource allocation methods are inappropriate for industry-driven, workplace-based and flexible modes of delivery, provision of this nature tends to be treated as a marginal or 'add-on' activity in the public TAFE and higher education sector; and that the traditional approach of funding each discrete educational sector separately is hampering the provision of cross-sectoral and cross-disciplinary programs required by industry and enterprises. The lack of access for private sector students to government subsidies, specifically AUSTUDY, is also identified as a factor working against the construction of a level playing field. (pp.71-75)

Powles, M. (1990) 'Access and equity implications of fees in TAFE', in Deveson, I., Committee Chair, *Training Costs of Award Restructuring*, Vol. 2, Supporting Papers (Deveson Report), AGPS, Canberra, pp.81-150.

This paper was commissioned by the Training Costs Review Committee (TCRC), chaired by Ivan Deveson, in order to examine the access and equity implications of the introduction of fees in TAFE, primarily in relation to individual students. Using the stream of study classification as a basic grid, the author develops a cross-referenced framework to describe the TAFE student population and to examine the likely impact of fees and charges on TAFE students. This framework identified the following factors as having a critical bearing on participation patterns, and on the ability to meet tuition and related costs: gender, age, socio-economic status, mode of attendance, courses undertaken, and income level.

Acknowledging the disadvantages known to be experienced by some groups in accessing VET (for example, women, people from non-English speaking backgrounds, Aborigines and Torres Strait Islanders, people with disabilities, people in rural or remote areas, long-term unemployed), Powles argues that determining the impact of fees and charges necessitates a more comprehensive approach. In part, this acknowledges the size, dispersion and heterogeneity of the TAFE population, and in part the complexity of the factors affecting a student's ability to pay fees and charges. Powles argues that 'it is important ... that the notion of equity is not reduced to a checklist for determining whether needs are real or not ... What is essential ... is consideration of which needs would be unfairly undermined by fees policies. (p.121)

The paper analyses the TAFE student population in terms of the aforementioned six factors, and details salient characteristics of students in different streams of study in relation to the likely impact of fees. Within this framework, streams of study are used as the basis for examining a range of issues: award vs. non-award distinctions; initial vs. non-initial courses; fees for associate diploma courses; articulation of TAFE and higher education courses; existing materials, administration and amenities fees; tuition fees and exemptions; deferred payment options; disincentive effects; and earnings profile of TAFE graduates.

The analysis reveals that participation patterns in TAFE are complex and affected by a diverse range and combination of factors. Fees were found to impact adversely, though in different ways, on full-time and part-time students, on different age groups; on females and males; and in accordance with the streams of study undertaken by these groups. Powles identified significant gaps in available data about TAFE students, and argued that before the impact of fees and charges could be fully understood, 'more needs to known about TAFE students - about their attitudes to training, their aspirations, their employment patterns, their disposable income levels, and far more about socio-economic variations between streams over time and differences by state' (pp.121). The paper concluded that the introduction of fees and charges is likely to affect large numbers of people, that hasty implementation is likely to have unforeseen effects, and that establishing a tuition fee or taxation regime would be counter-productive. (pp.121-122)

Ryan, R. (1995) *The market for training. Policy discussion paper*, National Centre for Vocational Education Research, Adelaide.

Ryan's policy discussion paper provides a comprehensive overview of the nature, development and possible future directions of the VET market in Australia. Essentially a synthesis of policy development and analysis undertaken by various government agencies and academic researchers to date, Ryan's paper briefly examines the conceptual and ideological origins of market theory, and traces its emergence in the context of Australian public policy with specific reference to VET. Ryan defines markets and market types, and examines an extensive range of market mechanisms which have been used to promote competition within the public TAFE system and the VET sector as a whole. Market options discussed include: fees, fee-for-service arrangements, joint ventures, industry advisory mechanisms, tenders, user choice, vouchers, outsourcing, and funding intermediaries.

Against the background of the crisis in the welfare state and economic recession in Western democracies, Ryan provides a brief overview of changing notions of the role and scale of government in the United Kingdom, the United States, New Zealand and Australia, as reflected in the Hilmer Report (1993). According to Ryan, a common feature of public sector reform in all these countries has been a shift in the role of government away from service provider to funding agency, and a greater emphasis on market discipline, particularly competition. The paper then turns to a discussion of the impact of economic theory on VET policy, specifically human capital theory and the 'simple theory' of training, both of which Ryan argues are based on unproven assumptions about the link between training and productivity, and rates of return in VET for individuals and enterprises. According to Ryan, the theoretical foundations of human capital models are 'intellectually slight and disputed by many specialists', while empirical research to date consistently shows that rates of return on investment in VET are relatively poor for individuals.

The paper suggests that new growth theories, particularly those which emphasise the role of education and training in technology adaptation and transfer offer a more convincing, though as yet largely untested, justification for viewing education as an economic variable. Moreover, such theories 'also lead to a more rigorous questioning of the policy of leaving growth to market forces' (p.31). Ryan concludes that 'the insights available from economic theory ... are such that extreme caution is needed before utilising them as a basis for policy - specifically, for a policy of fostering markets in VET' (p.32).

The fourth section of Ryan's paper discusses a range of policy implementation issues associated with the training market which the author argues are of secondary importance to fundamental conceptual questions: why is a training market being created, is a funding or a commercial market intended, to what areas of training should it apply, and what are the ground rules for competitors particularly in the pricing of public services and in access to public assets? (p.34) Issues covered by the paper include: which segments of training (eg. initial and/or post-initial) should be subject to market mechanisms; reduction in private investment and cost shifting; accountability; access to information; quality; access and equity; costs and pricing; community service obligations and other management issues.

The following section revolves around the author's central contention that current market-related initiatives at a State and Territory level are being undertaken in an *ad hoc* and inconsistent manner due to the absence of a clear strategic vision for market reform in the VET sector. Central to this 'strategic vacuum' is the failure to date to define a role for the public TAFE system in the context of rapidly evolving market developments. Ryan suggests

that the lack of a clear training market strategy has created confusion on both the supply and demand sides of the equation. On the supply side, it has contributed to an absence of a set of rules and expectations to shape provider roles and responsibilities and to guide market behaviour. On the demand side, Ryan argues that the training market concept 'remains bedevilled by a failure to face clearly the issue of who is the consumer: the individual Australian or Australian industry' (p.45). The most recent manifestation of market theory in VET is 'user choice' which is not only 'an administratively cumbersome scheme imposed from the centre', but also cannot be supported by economic theory or empirical research. (p.46) Ryan contends that the hidden influence of the industrial relations agenda on the administrative structures and processes of the training market has engendered opposition in both business and educational circles for different reasons.

Ryan focuses briefly on possible directions for future training market reform. Ryan suggests that there are likely to be further efforts to inject market-like disciplines into public provision, although debate will continue about fee regimes and intrasectoral TAFE competition. Although certain practical constraints exist (eg. established TAFE infrastructure), Ryan suggests that market options for competitive resource allocation by government are likely to be expanded, as will the range of potential supply options.

In Ryan's opinion, the ripest area for widescale reform is entry-level training, specifically apprenticeships and traineeships, as 'training is traditionally linked to employment and a substantial non-TAFE training infrastructure already exists' (p.49). However, on the question of public subsidisation, Ryan argues that 'there is little to recommend policy directions which entail increasing subsidies to the private sector' (p.50). Rather than directing subsidies to employers via 'user choice' schemes, Ryan proposes a new arrangement wherein subsidies are instead directed to apprentices and trainees as 'training incentives' in combination with more flexible training wages set by market forces. Such an arrangement, argues Ryan, would have tangible benefits for both employers and employees, and would achieve greater gender and financial equity in employment-linked training than presently exists.

In conclusion, Ryan argues that although 'enthusiasm for market solutions in Australian vocational education runs ahead of development of the conceptual infrastructure which is essential for rational policy development and effective implementation', market-based policy initiatives are certain to increase (p.52). In Ryan's opinion, however, the current obsession with market solutions has obscured the need for greater breadth and creativity in policy development for VET. The issue of the future integration of school, vocational and university education is cited as an example of the more complex and rewarding policy issues in need of attention.

Selby Smith, J. (1995) ***The national competition policy review (The Hilmer Report) and its implications for the vocational education and training system,*** **Australian National Training Authority.**

Commissioned by the Australian National Training Authority (ANTA), this paper examines the implications of the report of the Independent Committee of Inquiry into a national competition policy (Hilmer Report, 1993) for the vocational education and training (VET) system. In particular, the paper sought to identify issues of importance for the national training market, and points of strategic intervention to facilitate the development of a more open and competitive training market, consistent with the objectives of the national competition policy. The paper is divided into five parts: the first part reviews the Hilmer Report, and presents its main findings and recommendations; the second part examines the relevance of the Report's treatment of impediments which arise from government regulation and ownership; the third part identifies some structural features of the national training market; the fourth part assesses the relevance of the Hilmer proposals to the structure of the market and the behaviour of firms; and the final part identifies opportunities for strategic intervention by ANTA to assist the development of a more open, competitive and efficient training market.

Selby Smith outlines the five principles and processes proposed in the Hilmer Report (1993) for removing impediments created by government regulation and ownership as follows: the reform of regulation which unjustifiably restricts competition; the reform of the structure of public monopolies to facilitate competition; providing third party access to certain facilities that are essential for competition; restraining monopoly pricing behaviour; and fostering 'competitive neutrality' between government and private businesses.

In an examination of the structure of the training market, Selby Smith observes that, in spite of its prominence in policy debate, the content and meaning of the term 'national training market' has received little attention. The author favours the Hilmer definition of a market as 'an area of closer competition or rivalry in which one product or source of supply may be substituted in response to changing prices', and one which has 'product, geographical, temporal or functional dimensions' (Hilmer, 1993, p.28) Selby Smith notes that in Hilmer's terms, 'there have been markets for education and training services in Australia since colonial times, even if little has been known about them **or** little attention given them' (pp.9-10). According to Selby Smith, the key feature of the market is that governments have intervened as *funders* and have become dominant *providers*. Two recent developments, however, are that the focus of concern has shifted from the role of government as funder and provider to efficiency in delivery, and that education and training are 'increasingly seen as an important component of the nation's competitiveness infrastructure' (p.10).

Selby Smith observes that much of the discussion about the training market has employed imprecise terms such as the need for 'improvement', 'development', and greater 'openness'. It is suggested that greater emphasis should be placed on fostering a more open and competitive market (through various means identified in the Hilmer Report) in the interests of achieving greater efficiency, and that current training market initiatives should be assessed against this criterion. However, given the complexity of the demands placed on the TAFE system (eg. social objectives), there is a need to assess the extent to which moves towards a more open and competitive market will be consistent with the 'public interest'. Selby Smith argues that, while there are legitimate concerns about the potential erosion of access and equity, 'such a move to a more competitive and open market does not in itself imply that

governments need give lower priority to equity and social justice concerns in respect of access to vocational education and training (p.11).

Selby Smith suggests that more research needs to be undertaken on the structural aspects of the market, particularly the number of providers, the nature of the product (ie. private versus public good attributes), and the extent and type of barriers to entry and exit. Moreover, the extent to which the training market is a *national* market should be addressed with particular reference to geographical factors and new developments in educational technology.

The paper examines the possible relevance of the Hilmer proposals for the structure and operation of the training market. It argues that, given that the scope of the Trade Practices Act (which rules against anti-competitive behaviour) has been widened to include Commonwealth and State government agencies and authorities, public sector providers of VET services will most probably fall within its ambit. Although the extent to which national competition policy applies to the VET sector remains a matter of interpretation, the paper nevertheless suggests that each of the five additional Hilmer principles and processes has potential implications for the VET sector.

First, barriers to market entry and restrictions on competitive conduct contained in VET statutes and subordinate legislation are likely to come under review. Secondly, the recommendation to restructure public monopolies to facilitate competition emphasises the need for: greater separation of regulatory functions and service delivery; separation of the commercial activities of TAFE colleges from those associated with community service obligations; detailed cost studies to establish the full economic (resource) cost of TAFE institutions and individual tradeable courses and other products and services; and identification of national monopoly elements or the scope for large scale economies of scale in the provision of certain VET products and services (eg. curriculum). Thirdly, access to training facilities (eg buildings and specialist equipment) is likely to be expanded to facilitate greater competition and avoid unnecessary duplication. With respect to the fourth Hilmer recommendation, however, 'it is unlikely that monopoly pricing *per se* is a major issue at this time' (p.22).

Selby Smith argues that the fifth Hilmer recommendation regarding competitive neutrality has significant potential implications for TAFE colleges in that inter-sectoral (between public and private providers) and intra-sectoral (between public providers including schools, TAFE and universities) competition would be based on comparative efficiency and responsiveness to customer needs, rather than privileged access to resources and differential elements of the cost structure.

The paper suggests that the two areas for action by ANTA are structural and regulatory reform particularly in terms of: promoting the concept of the national training market; developing appropriate strategies to achieve structural reform and competitive neutrality; and identifying regulations which impede competition.

Shreeve, R. (1995) 'User choice and the training market', Paper presented at *Towards a Skilled Australia. National Vocational Education & Training Conference*, Conference Proceedings, February, Australian National Training Authority, pp.133-42.*

This paper by Robin Shreeve, General Manager, Marketing, NSW TAFE Commission, presents 'a practitioner's perspective' on 'user choice' and the training market. It discusses the effectiveness of competition as a tool for improvement, examines the emerging structure of the training market in Australia, addresses the issue of which training should be user pays, evaluates the nature of the training market in relation to a typology of government, and discusses issues relating to 'user choice' including the balance between industry and individual needs, and responsiveness and accountability.

In its examination of the effectiveness of competition as a tool for improvement, the author reports on developments in two English colleges of further education which suggest that 'market structures ... appear to have clearly distorted the balance of provision to the detriment of industry and enterprise specific training' (pp.133-4). The author notes that debate on training market structures in Australia has largely revolved around: the removal of barriers to private providers gaining accreditation for their courses and, by implication, access to publicly-funded curriculum; and tendering of public training funds to a range of private providers. The author suggests that this reflects a relatively conservative approach to market reform, based on the precedent set by DEET labour market training programs, with the result that alternative competitive structures (vouchers, training credits, alternative provider funding) have been overlooked. Consequently, the debate 'is more about who should control the VET system than who should pay for it' (p.135). A further consequence is that stakeholders now assume that the public sector will pay for the vast majority of training, while industry responsibility has become a secondary issue.

The author suggests that the undue emphasis placed on control of the market has obscured the issue of which training should be user pays and which should be publicly funded. The complexity of allocating public funds to different levels of training is noted, and political and definitional problems posed by proposals to differentiate between initial training and equity programs on the one hand, and post-initial training on the other, are identified. Vouchers are discussed briefly as a policy option, but the author points to the lack of prior success in implementation, and tensions with long term strategic planning. The author argues that traditional resource allocation models, which distinguished between on and off-the-job training, are now inappropriate due to the growing convergence of these two forms of training. (p.137)

Against the background of a fivefold typology of government, the author concludes that the current training market is largely a mixture of a 'contractual franchise model' and a 'comparative franchise model' with power exercised by a government authority rather than by consumers. It is also pointed out that, in spite of the emphasis placed on individual choice, 'much of the recent reform of the Australian VET system has adopted a classically corporatist rather than individualist approach' (p.138). Evidence is cited of the mismatch between individual course choices and labour market destinations, on the one hand, and corporatist decisions about program resourcing priorities, on the other. The author concludes that simple reliance on market forces using the mechanism of a 'funding market' (ACG, 1994b) leaves effective control in the hands of a limited number of planners and industry representative bodies.

The author identifies issues relating to responsiveness and accountability in the VET system. Criticisms of the lack of responsiveness on the part of training providers (particularly TAFE) are contrasted with the increased control over curriculum given to industry by competency-based training. The tension between industry expectations of greater TAFE responsiveness and actual program delivery due to resource constraints is highlighted. Problems of provider responsiveness and accountability to different types of consumers are discussed.

The author argues that failure to address these fundamental issues means that 'the training or funding market is in danger of reallocating resources in a haphazard way' (p.140). The author concludes by proposing the development of a new training compact between industry and government which clearly defines the responsibilities of the different parties for skill formation in Australia.

* A shorter version of this paper appeared under the same title in *The Australian TAFE Teacher*, Vol.29, No.1, First Quarter, March 1995, pp.13, 16, 18.

Sloan, J. (1994) *The Market for Training in Australia*, Working Paper Series, No.131, June, National Institute of Labour Studies Inc., Flinders University of South Australia.*

The aim of this paper, funded by the Business Council of Australia Training Task Force, is to analyse training markets and the effects of market failure on training in Australia. It employs an explicit economic framework to analyse the training market, the reasons for market failure, and the empirical features of the training market in Australia. A primary objective of the paper was assess whether the national training reform agenda (TRA) establishes an overall policy framework in which enterprises can best enhance their competitiveness. The paper focuses primarily on the demand side of the market, although some supply aspects are considered.

The paper considers a number of specific issues within this general framework: what factors have led to market failure; whether these market failures result in an inadequate quantity and quality of training in Australia; how the quantity and quality of training in Australia compare with that in successful overseas countries, particularly in relation to economic performance; which elements market forces could deliver better than at present and how resources could be allocated most effectively; whether government measures through the TRA have been appropriate to overcome problems in the market for training; what market arrangements would be required to optimise business expenditure on, or involvement in, training; what range of policy options is available to governments to enhance the operations of training markets in Australia and produce optimum outcomes for enterprises and the economy as a whole.

The paper is broadly structured into four main themes: the simple economic theory of training reasons for market failure; empirical evidence on the quantity and quality of training in Australia in an international context; strategies for dealing with market failure; and implications for the TRA.

The author observes that while training may have commonsense meanings, in practice there are a number of different dimensions to the definition of training. These include the degree of formality and structure; accreditation arrangements (internal or external); on-the-job versus external training; the interface between schooling and VET; entry-level versus on-going training; and training delivered through labour market programs to the unemployed. The emphasis in this paper is on employment-based formal training.

The simple economic theory of training is outlined. Distinguishing between general and firm-specific training, the prediction of the model is that the costs of general training will be borne by workers (in the form of lower wages) and the cost of firm-specific training will be shared by workers and firms. The author points out that the private rate of return equals the socially optimal rate of training as long as the conditions of the model hold. Various complications with the simple model and reasons why training markets fail are identified, including: unanticipated worker turnover; poaching (especially where industry-generic skills exist); the inability of trainees to fund training; diffusion of technological change; and institutional distortions to the wage structure and worker classifications/ task allocation.

The author argues that, although Australia is generally seen as a 'low training country', international comparisons are problematic. A review of survey material in the report suggests that: large firms provide more training than small firms; the public sector provides more training than the private sector; and males, full-time workers, those born in Australia, and the more educated are the most likely to receive training.

Some of the ways in which the failures in training markets can be offset are examined including: subsidising trainees where income levels fall below minimum acceptable levels; removing wage distortions by tilting the age-earnings profiles of training/ trained workers; widening worker classifications and providing for flexible task allocation; and pricing higher and vocational education appropriately to yield 'market-like' signals to potential participants. The author argues that the imposition of a uniform training level such as the Training Guarantee Levy is neither supported in theory, nor successful in practice.

The author notes that the TRA has a number of objectives including to: increase the quantity of training; dampen cyclical variation in training provision; improve the quality of training; provide for nationally consistent standards of training and skill levels; and improve access to training for particular groups in the community. It suggests that the TRA has concentrated largely on reforms to the supply side of the market and has been underpinned by 'a deep distrust of markets and market forces' (p.31). Moreover, the author contends that 'the fundamental flaw in the whole process has been a lack of appreciation of why training markets fail and how these imperfections can be remedied' (p.33).

Specific changes in the TRA are proposed including: termination of the Training Guarantee levy; rejuvenation of the competency-based training concept, driven at the enterprise and industry level and facilitating responsiveness of providers to market demand at the local level; increasing choice with respect to the level of training accreditation, with optional links to the Australian Standards Framework; introducing a genuine enterprise training stream, including streamlined recognition of enterprises as training providers; and separating training matters and industrial relations, other than in the context of enterprise bargaining.

* A shorter version of this paper appeared under the title of 'Training markets and the effects of market failure on training in Australia' in *Business Council Bulletin*, No. 109, June 1994, pp.36-39.

Sweet, R. 'Initial vocational preparation: facts and issues; costs and benefits', in I. Deveson, Chair, *Training Costs of Award Restructuring*, Vol. 2, Supporting Papers (Deveson Report), Australian Government Publishing Service, Canberra, pp.221-252.

This paper examines ways to develop an efficient and effective system of initial vocational preparation and a range of associated issues, including the distribution of related costs and benefits. The paper commences with an examination of present arrangements for initial vocational preparation in Australia in comparison with other OECD countries. It concludes that Australia's initial vocational preparation system is: extremely small by international standards; dominated by apprenticeship and its traditions; and maintains an inappropriate separation between general education and training. Its penetration of the services sector has been minimal, as has its capacity to accommodate itself to upper secondary schooling. It is also marked by a sharp divide between the public and private components of training delivery. Sweet refers to emerging evidence of 'consumer resistance' among young people to the dominant model of initial vocational preparation in Australia.

Sweet finds that there are inconsistencies in the way in which individuals are required to contribute to the costs of the system, and that returns to the individual on average are either low or insignificant at least in the short term. He argues that available evidence suggests that 'the quality and nature of the options available to young people are at least as important in their participation decisions as more narrow questions of cost' (p.237). Similarly, he suggests that cost considerations do not appear to be paramount in employer decisions to involve themselves in skills development programs. He nominates the quality and value of training, its relevance to business operations and plans, and the ability to meet social and community obligations as being of relatively greater significance. He concludes that 'conventional economic accounts of training do not appear helpful in explaining the observed pattern of participation in initial vocational preparation by firms of differing size' (p.223). Also he argues that the conventional assumption that firms are reluctant to invest in 'general' skill development is not supported by available evidence.

In terms of the role of government, Sweet observes that existing Australian arrangements appear to assume no direct role for employers in the funding of initial vocational preparation. He found that governments not only meet the bulk of direct training costs associated with initial vocational preparation, but also subsidise employers' wage and wage-related costs. He found that 'there is little to support a conclusion that the subsidies and rebates that have flowed from this view have had an aggregate effect on recruitment decisions that justifies their cost' (p.223). Moreover, he argues that 'it is likely that the attachment of wage subsidies has pernicious effects on decisions about participation in training analogous to distortions resulting from other forms of industry subsidy' (p.242).

Sweet argues that many of the curriculum, accreditation and skill recognition arrangements associated with initial vocational preparation skew aggregate costs upwards, and skew the distribution of these costs towards a higher than necessary public sector share. He argues that 'in a climate in which arrangements for the sharing of costs between individuals, industry and government are under consideration, it is important that any changes simply to the sharing of payments between the parties not be used to paper over inefficiencies within the system' that result in higher than necessary costs (pp. 244-245). He concludes that 'solutions stemming from conventional economic approaches to education and training, through which price and cost are varied without consideration of the content and quality of what is offered, seem to be of little relevance' (p.224).

Sweet, R. (1993) *A client-focussed vocational education and training system?* Dusseldorp Skills Forum, November. *

This paper focuses on the issue of 'client focus' in the context of the debate on training reform. The paper argues that Australia's vocational education and training (VET) system is intimately bound up with the history of Australian Federalism, the structure of its labour market, and its work practices and industrial relations system. The paper describes some of the ways in which these connections have been established, as well as the continuity that exists between past traditions of these institutions and the national training reform agenda. One of the central themes of the paper is that continuation of past traditions within the reform agenda has been a significant reason for the achievements of the reform movement falling short of its aspirations.

In its assessment of the priorities of the reform agenda in Australia, the paper argues that undue emphasis has been placed on national standards and consistency at the expense of generating industry ownership and participation. In contrast to other comparable OECD countries such as France, Germany and Sweden, the author suggests that outcomes have been sub-optimal because Australian industry does not have a direct role in determining and managing the nature, content and delivery of VET. Moreover, it argues that, apart from the Training Guarantee Levy, insufficient attention has been paid to fundamental funding issues particularly with respect to ongoing and recurrent training of the existing workforce. The author points out that in Australia, this aspect of training has been funded through general taxation, whereas in other OECD countries (especially Holland) it has been subject to a greater extent to market forces, together with mechanisms such as levies and earmarked taxes. The latter approach, suggests the author, is conducive to increased market responsiveness and industry ownership.

The author argues that a new accommodation between government and industry is now required in order to 'attune the system more closely to its clients, to change firms' and individuals' willingness to invest in vocational education and training, and to increase ownership and participation by industry, at the level of the region and the enterprise as much as at the level of the central association' (p.29). The paper outlines five principles around which this new accommodation should be built.

The first principle is *a clearer difference between initial vocational preparation and retraining for the existing workforce*. The author argues that consumer demand, rather than central planning, needs to play a more prominent role in determining the content of, and resource allocation for, recurrent VET. This would in turn require a clearer differentiation between initial and post-initial courses in the structure of fees and charges in TAFE. However, while fewer constraints on market responsiveness are necessary at the post-initial level, the author argues that it will be important to provide a more comprehensive and broadly based system of initial vocational preparation. Such a system should not operate under an imperative to raise revenue from the marketplace, and its certification processes and cost structures should be 'closely aligned to the traditions of public education'. (p.30)

The third principle requires *new connections between national goals and the local level*. A major implication of the strategic priority of the Australian National Training Authority to create a more client-focussed culture in TAFE 'entails the major energies of the system being focussed upon students and enterprises at the local level, rather than upon governments and peak associations at the central level' (p.32). According to the author, this implies the need to foster stronger local partnerships between providers and industry, and between providers and

consumers of VET. To this end, greater emphasis on providing financial incentives for partnerships, and on developing intermediaries (eg. group schemes, Chambers of Commerce) as VET brokers, is required.

The fourth principle requires *resource allocation methods for TAFE that support these goals*. Greater flexibility and market responsiveness in resource allocation methods is necessary to ensure that course content and delivery are attuned to changing client needs. The paper identifies various financial strategies for promoting a more client-focussed culture: a medium term step is to direct the bulk of Commonwealth recurrent and capital funds to TAFE and other providers, rather than through State training agencies; funding criteria and conditions should necessitate responsiveness to market signals at the local level, rather than conformity to centrally devised plans; public funds should foster development of strategic partnerships between providers and local employers; and more rational systems are required for fees and charges, fee-for-service activity and profit-retention by providers. (pp.32-33) The two additional supporting principles proposed by the author are *a more flexible approach to national standards and the content of training*, and *a new accommodation between TAFE and the workplace*.

* This paper was reproduced under the same title in *The Australian TAFE Teacher*, Vol. 28, No.1, First Quarter, 1994, pp.58-84.

Sweet, R. (1994) 'Meeting clients' needs: Planning or market models of resource allocation?', in *Planning for Tomorrow in Vocational Education and Training, National Conference, Conference Papers*, NSW Board of Vocational Education and Training, 25/6 July, Gazebo Hotel, Sydney, pp. 30-36. *

This paper addresses the central policy question of whether planning or market models of VET resource allocation are a more efficient and effective way to meet client needs. In his consideration of relative merits, the author draws heavily upon the research findings of Anderson (1994). The author argues that these research findings demonstrate that private providers, which to date have operated largely under free market conditions, are more flexible, responsive to industry and labour market needs, and more cost-effective providers of VET than TAFE colleges. In the light of this interpretation, the author argues that the allocation of public VET resources should focus on the demand, rather than the supply, side of the equation in order to shift the balance of power from the producer to the consumer of VET. Such a change, contends the author, would entail replacing existing planning models of resource allocation with a client-focussed, market-driven approach.

Sweet suggests that, having evolved and operated within a framework of central planning and administration, TAFE colleges have become effectively insulated from the discipline of the market, disengaged from the needs of the labour market, remote from the realities of the workplace, and relatively unconcerned about the employment destinations of graduates. Sweet argues in favour of a more dynamic VET system which is client-responsive, output-focussed, employer-sensitive and market-oriented. Clients, specifically enterprises 'as well as students', should exert a stronger influence over TAFE college provision in recognition of their 'direct and legitimate interest in the system's outputs'. (p.31) From this perspective, the author argues that private providers embody the best elements of a client-responsive VET system and, as such, present a model for emulation in the public sector.

Sweet's support for the development of a more competitive, client-driven VET system does not extend to wholesale privatisation and deregulation, or full commercialisation of initial vocational preparation. Sweet argues that 'the externalities are so high as to justify a major public role in funding': both industry and individuals have a common interest in the widespread acquisition of portable and generic skills; the high cost of private tuition may be a disincentive to invest thereby producing sub-optimal levels of training; and government has a responsibility to regulate the quality of training in the public interest. (pp.33-4)

The paper outlines a strategy for reforming current approaches to resource allocation and institutional management in the public sector. The first step involves shifting the bulk of public funding for vocational preparation to the entry level and subjecting the provision of post-initial training to market forces. The second step entails the introduction of more client-responsive funding mechanisms for entry level training linked to new arrangements for institutional management in the TAFE sector which replicate those in the private training sector. In relation to resource allocation, the author proposes direct government-to-provider arrangements which by-pass State training authorities or, alternatively, a voucher system which would enable clients to purchase training directly from providers. The author suggests that to achieve maximum flexibility and client-responsiveness, resource allocation should be directly linked to outputs, and TAFE colleges should be given greater managerial autonomy and direct control of their resources. (pp.33-6)

* This paper was reproduced under the same title in *The Australian TAFE Teacher*, Vol. 28, No. 3, September, pp.20, 74, 76, 78-80.

Vocational Education, Employment and Training Advisory Committee, VEETAC (1991) ***National Framework for the Recognition of Training. Report of the VEETAC Working Party on Recognition of Training*****, VEETAC.**

This report was developed by a Working Party of the Vocational Education, Employment and Training Advisory Committee (VEETAC) comprised of representatives from each State and Territory, the Commonwealth, the Australian Council of Trade Unions, the Confederation of Australian Industry and the National Training Board. The significance of this report is that it provided the framework within which training delivered by non-TAFE providers could be publicly recognised on a national basis.

The report proposes a system for national consistency in the recognition of accredited courses, training programs, training providers, and competencies held by individuals. The report states that the growing importance of the recognition of courses, training programs and competencies held by individuals is due to a range of pressures including award restructuring and the implications of skill-based career paths, the growth of private training providers, and an increasing awareness of the need for lifelong learning. The paper notes that the need for a nationally consistent approach to recognition has been identified by governments and industrial partners, and is crucial for a national competency-based training system, which it describes as 'the cornerstone for reform of the VET system in Australia'. (p.1) In this respect, it builds on the recommendations of the Deveson Review (1990).

The proposed national recognition framework recognises that competencies can be gained through: accredited courses or training programs conducted by government providers, and by non-government registered providers; and the informal development of competencies which can be recognised for credit against a course or a training program. Among the benefits of the proposed framework identified in the report are that it: ensures that training outcomes for industry will be based on competency standards expected in employment; links training provided in the public and private sectors; improves cost-effectiveness; and helps eliminate duplication of effort.

The proposed framework consists of nationally agreed principles and processes for recognition. The report recommends that all courses submitted for accreditation shall comply with the following ten principles: identified industry training need/ market need; course standards appropriate to the requirements of the particular credential; competency-based training; multiple entry and exit; flexible learning; articulation; customisation of courses; promote access and participation; appropriate assessment; and ongoing monitoring and evaluation. The report recommends that registration be based on the following principles: providers of recognised training shall be registered; appropriate staff; an adequate and safe training environment; responsible and ethical relationships; financial safeguards; and quality control.

Western Australian Department of Training, WADOT (1995) *Developing the training market*, 2 Vols., April, WADOT/ ANTA, Perth.

This report arises from a national project funded by the Australian National Training Authority (ANTA) and managed by the Western Australian Department of Training (WADOT). The aim of the project was to produce a framework to assist State training agencies to either commence or expand activities to open up the training market to competition. This report builds on the findings of *Establishing an Effective Australian Training Market* (ACG, 1994b). The report comprises two volumes, the first of which discusses issues and best practices arising from State/ Territory training market activities. The second volume provides an overview of State/ Territory training market activities including detailed descriptions of competitive tendering initiatives and supporting documentation. The report is based primarily on data collected via questionnaire and consultations with State training agencies, and a National Practitioners' Workshop.

The scope of this project is limited to an examination of activities in the 'competitive training market' which is treated synonymously with the 'funding market'[10] In effect, the report concentrates exclusively on competitive tendering, only one of many supply-side market strategies, and confines its purview to those activities currently managed by State training agencies to the exclusion of the much larger competitive tendering program managed by the Department of Employment, Education and Training (DEET). The report does not, therefore, consider the full range of commercialisation strategies or market mechanisms currently in place (eg. fees, joint ventures, overseas marketing) or under development (eg. 'user choice'). The report provides a brief overview of international developments and recent initiatives in the Australian policy context, specifically the Hilmer Report (1993) and related Council of Australian Governments (COAG) decisions, the Commonwealth Government's *Working Nation* White Paper (1994), ANTA priorities, and public sector reforms introduced by State/ Territory governments.

The report canvasses a range of implementation issues under eleven topic areas relating to competitive tendering processes which it points out 'are generally still in pilot stage and involve a relatively small percentage of the VET budget' (p.6). The report suggests that '**in theory**, all publicly funded VET provision could be funded through competitive market processes' although 'there are many reasons for proceeding incrementally towards an increased proportion of VET funding being allocated in this way' (p.7). Among the issues identified for further investigation are: problems relating to rural/ remote area provision (eg. extra costs, diseconomies of scale, loss of public infrastructure); issues concerning inter-State competition; and provider dependence.

The report identifies two main approaches to competitive tendering (CT): open and direct competition between public and private providers; and 'quarantining', in which a portion of funds are set aside for competition allocation to private providers alone. Each has relative advantages and disadvantages, although 'a consensus appears to be emerging that, unless circumstances dictate otherwise, direct competition ... is preferable to a quarantining approach, at least at the levels of funding currently being envisaged' (p.10). The report states that a consensus is emerging that eligibility should be restricted to accredited/ registered providers 'as this provides a guarantee of at least minimum acceptable standards of quality for the training provided' (p.11). Issues requiring further consideration are the eligibility of

[10] ACG defines the 'funding market' as that 'comprising training purchased under all government programs where allocation is by competitive tender rather than direct funding of institutions.' (1994b, p.59)

schools and universities to bid for training contracts, and inter-State competition between providers. (pp.11-12)

The report argues that, although current practices vary considerably between States/ Territories and are mainly confined to courses of one year duration, virtually any type of training (full or part-time delivery) could be funded through competitive processes. However, while relatively high administrative costs tend to make allocations for short courses less viable, longer cycle funding would enable providers to forward plan, and reduce investment and administration costs. (p.12)

Although processes for administering tenders differ markedly between States/ Territories, the report identifies a number of common features (eg. specified criteria and conditions relating to accreditation/ registration, the needs of special groups, additionality, priority areas, specified delivery timeframes) According to the report, these processes 'have been operating without major difficulties and have stimulated competition, innovation, responsiveness to client needs and increased client choice' (p.13). A major drawback of competitive tendering, however, is the resource-intensive nature of administration, estimated by one State to be approximately eight per cent of the total budget for competitive tendering activities. (p.13) Preferred provider approaches offer potential cost savings but restrict provider access to, and open competition for, funds. Broad consensus exists among State training agencies that CT processes should be: open/ transparent; user-friendly and non-bureaucratic; and based on quality assurance processes.(p.14)

Other issues raised include the constraints imposed by course-based versus outcome (ie. competency)-based funding, and provider confusion resulting from the multiplicity of funding agencies and the complexity of administrative arrangements. Administrative timeframes for competitive tendering pose a number of complex planning and delivery issues at the provider and central level. In particular, problems arise for: providers in relation to forward planning and course administration; and for State training agencies in terms of achieving consistency between contract training programs and State Training Profile processes, and avoiding shortfalls in delivery. (pp.15-17)

The report found that the bureaucratic nature of existing CT processes and lack of industry awareness has inhibited entry by new providers to the funding market. Partnerships/ joint ventures are identified as a practical means of increasing efficiency and effectiveness, 'but care should be taken that this process does not become an artificial device to "prop up" public providers' (p.18). A major problem associated with CT is the potential for 'cost shifting' (from enterprises/ individuals to government). 'Additionality' (ie. requiring providers to avoid substitution and deliver additional training) is identified as one strategy for addressing the problem, but detection and prevention are acknowledged to be difficult. (pp.19-20) Increasing dependence of private providers on public funding is another emerging problem which the report suggests may limit diversity and decrease efficiency.

The report addressed the issue of quality assurance and found that States/ Territories have established various processes to safeguard quality including: tender assessment criteria based on value for money (rather than price alone); accreditation/ registration; regular monitoring of training finances and provision; and on-going evaluation of CT activities. According to the report, 'experience so far ... provides little suggestion that quality is in any way being undermined by competitive training market processes'. However, it also acknowledges that 'good comparative data is lacking to enable any real assessment of the impact of those (ie. CT) processes on the quality of training ...' (p.22). Equally, in relation to access and equity, the report found 'little evidence' of adverse effects, and argued that no inherent conflict

exists between CT processes and access and equity objectives. (p.22) It reported that selection processes often specifically address access and equity considerations, and CT processes can be used to focus training activities on meeting the needs of specific target groups. The risk of 'double-dipping' by providers is also identified as an equity issue, and various preventative strategies are discussed. (p.23)

The report evaluates the possible implications of CT for clients (students and industry) and providers. The principal benefits identified for students and employers are greater choice in the range of accredited training and registered private providers, and improved responsiveness to industry needs in terms of meeting identified skills shortfalls, and producing more relevant training outcomes. Issues of concern, however, are: potential client confusion over choices due to increased complexity through diversification of the training market; lack of guaranteed continuity of skills formation in the absence of effective articulation arrangements; possible decrease in training opportunities in regional areas; lack of sufficient and timely information on, and marketing of, contract training opportunities. The report suggests that private providers may benefit from increased market opportunities, while TAFE colleges may derive benefit from increased competitive efficiency. Conversely, disadvantages for providers may include: increased uncertainty, due to the short term nature of existing contracts and the lack of guaranteed continuity of funding; disincentives to invest in quality infrastructure; and increased administrative costs. Issues relating to industry involvement include: under-representation of small business in needs-identification processes; potential conflicts of interest between training delivery and tender selection; and insufficient incentives, and/or awareness of opportunities, for enterprise involvement in CT processes. (pp.24-5)

The report notes, that 'the implications for providers, industry and students are still far from being fully identified and understood', and that the restricted scope of current pilot CT activities 'may exaggerate or obscure the implications which would arise from an expansion of competitive training market activities' (p.25). Furthermore, the relative costs and benefits of CT have not been adequately analysed, even in terms of strict cost efficiency. More generally, the report identifies costing/ pricing issues as an area in need of further investigation, particularly pricing anomalies created through differential market conditions for public and private providers (eg. access to capital infrastructure, community service obligations). Other costing/ pricing issues identified include: the current lack of costing data in the public sector (eg. capital depreciation, full staff on-costs) which renders pricing comparisons problematic; and the lack of clarity and consistency in fee-charging arrangements for competitive training market activities. Issues of consistency between, and accountability provisions in, training contracts and agreements are discussed, as is the need for consideration of the combined impact of increased CT activities and 'user choice'. (pp.26-30)

The report concludes that 'recent experiences with pilot competitive training market processes ... suggest that competitive processes can operate effectively in the VET sector to produce increased flexibility and responsiveness in training provision, as well as positive cultural change within TAFE colleges/ institutes' (p.30).

Western Australian Department of Training, WADOT (1996) *Developing the training market. Issues and best practices arising from State/Territory pilot activities*, January, Australian National Training Authority.

This document is the final report on the national project, Developing the Training Market, funded by the Australian National Training Authority (ANTA), managed by the Western Australian Department of Training and assisted by a National Steering Committee comprised of key State/Territory and Commonwealth stakeholders. The report is intended to outline the processes and practices introduced by State training agencies or associated bodies to stimulate the development of a more open and competitive training market.

The report focuses on competitive tendering (CT) processes being used to allocate public funding for the provision of vocational education and training. It provides a guide to current and emerging practices, and documents a wide range of strategic and operational issues. It incorporates and builds on the work undertaken in the first phase of the project (see WADOT, 1995).

The principal finding of the final report is that 'there is an emerging consensus that substantial VET delivery could be funded through competitive tendering processes although there are further issues which need to be explored and resolved which gives grounds for an incremental approach'. (p.4)

In terms of 'good practices', the report found that, although States/Territories have adopted different approaches to competitive tendering of VET delivery, there is an emerging consensus that: *direct competition between private and public training providers is preferable to a quarantining approach* (ie. an approach in which funds are set aside for private providers to access through a competitive approach), unless there are particular circumstances which dictate otherwise; *submissions* should be open and transparent; simple in application; not overly bureaucratic; and based on achieving quality outcomes; *contracts and agreements* need to be in simple language, clearly worded; specify the expected training outcomes; stipulate that providers are required to participate in monitoring and evaluation procedures; and be legally enforceable; *the quality of submissions* can be enhanced through well-presented information packages, well-designed proformas and regular submission briefing seminars/workshops; *calls for submissions/tenders* should allow providers adequate time to plan and prepare training delivery; *State training agencies can achieve increased efficiencies* if contracts are extended to courses of repeat delivery or of longer duration; *a preferred provider approach* (ie. a targeted, rather than open, approach in which submissions/tenders are sought from providers selected on the basis of previous performance and ability) can achieve increased efficiencies; *minimum accepted quality can be guaranteed* if funded providers comply with accreditation/registration requirements, submissions are assessed in terms of value for money; regular monitoring of training provision and ongoing evaluation of CT processes occurs; *partnerships/joint ventures are a practical means of achieving increased efficiency and effectiveness*, provided that they do not 'become an artificial device to 'prop up' public providers.

The report identifies concerns of State training agencies and training providers including: *difficulties in preventing cost-shifting* (ie. shifting to government training costs previously met by others; *ensuring access and equity* provision is not compromised by CT processes; *preventing the creation of a group of private provider organisations that are largely reliant on government funding; the threat posed by CT processes to provider viability; difficulties in achieving a 'level playing field'* (eg. access to capital infrastructure, community service

obligations); *the resource intensiveness and costs of administering CT processes* (both for State training agencies and training providers); *inter-State competition* (lack of consistency among States results in duplication and additional costs).

The report indicates that further consideration of the following issues is required: the ramifications of CT processes in non-metropolitan areas; ensuring processes to achieve equity and access in VET; developing appropriate costing mechanisms to achieve maximum advantage from publicly funded infrastructure; ensuring adequate information is available to clients to enable informed choice; developing processes for handling tuition fees and other administrative arrangements in the context of a competitive training market.

The report concludes that, although the full implications of CT processes are still far from being documented, recent experience suggests that 'competitive processes can operate effectively to produce increased flexibility and responsiveness in providing training and to achieve positive cultural change within TAFE Colleges/Institutes' (p.6). Together with other elements of training reform, CT processes are 'helping to stimulate a more diverse, responsive, customer focused, outcomes-oriented and cost-conscious VET System' (Ibid.). According to the report, 'the spirit of competition ... can be expected to continue to shape the VET Sector regardless of the specific administrative and other arrangements which emerge' (Ibid.).

Yeatman, A. (1994) *Who costs, who benefits?*, Research Priorities in Vocational Education and Training - A Discussion, Australian National Training Authority National Research Advisory Council Conference, Sydney, 20-22 April, National Centre for Vocational Education Research, Adelaide, pp.115-128.

In the author's view, three features of the training reform agenda are striking: it has a marked systems-engineering character; there is a recurrent tendency to displace a plural conception of 'clients', comprising individuals and industry, in favour of a singular focus on 'industry'; and VET tends to be conceived economistically, in terms of enhancing productivity rather than knowledge. Problems which flow from these characteristics include: the displacement of quality improvement by quality assurance; over-bureaucratisation resulting in higher costs and loss of service quality; failure to distinguish between private and the collective needs of industry; and an over-emphasis on the relationship between VET and paid employment, which commodifies VET, ignores the role of VET in the lives of non-market participants, and devalues their economic contribution.

The paper questions the assumptions behind the conflation of individual and industry needs, arguing that industry needs cannot be taken to subsume the needs of all legitimate claimants on a VET system. Instead, the paper proposes a conception of client needs which is pluralistic and flexible, and which recognises differences in need and situation between the following three categories: formal systems-based individual needs for VET; community-based individual need for VET; and specific industry and enterprise need for VET. The paper argues that 'within each of these categories, there will be important differences which need to be understood in their implications for a cost-benefit analysis of VET' (p.121).

The paper argues that there is an urgent need for research into institutional design for effective VET delivery so as to keep costs within the means of the various stakeholders. The paper highlights the critical need to involve direct service-deliverers in the process of re-designing the VET system. The paper concludes with the observation that the practice of competitive tendering mitigates against effective educational planning and networking among providers, which in turn undermines the development of learner, learning and career pathways through the system.

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